

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Midland County	County Midland
Audit Date December 31, 2004	Opinion Date April 14, 2005	Date Accountant Report Submitted to State: June 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

Midland County

2004



Comprehensive Annual Financial Report and Federal Financial Assistance Audit

For The Year Ended December 31, 2004

**MIDLAND COUNTY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended December 31, 2004**

BOARD OF COMMISSIONERS

Otis G. Wilson, Chairman
James T. Bradley, Vice Chairman
Tom Dauer
Rose Marie McQuaid
Ted O'Neil
Howard G. Schoenherr
Roland R. Weaver

Administrator /Controller

David D. Benda

Finance Director

Bridgette M. Gransden, CPA, CGFM

Chief Accountant

Christopher Gilkey

County Clerk

Karen A. Holcomb

County Treasurer

Wynne D. Downing

Independent Auditors

Rehmann Robson CPA'S & Consultants, PC

This report was prepared by
Midland County Finance Department

MIDLAND COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Table of Contents	i-iii
Organizational Chart	iv
Letter of Transmittal	v-ix
Certificate of Achievement	x
FINANCIAL SECTION	
Report of Independent Auditors	1-2
Management's Discussion and Analysis	3-13
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15-16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	21
Health Department Fund	22
Tax Set-aside Fund	23
Revenue Sharing Reserve Fund	24
Statement of Net Assets – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	26

MIDLAND COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

TABLE OF CONTENTS

Statement of Cash Flows – Proprietary Funds	27
Statement of Fiduciary Net Assets – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	29
Statement of Net Assets – Component Units	30
Statement of Activities – Component Units	31
Notes to Financial Statements	32-71
 Other Supplementary Information	
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	72-77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	78-83
Schedule of Revenues, Expenditures and Other Financing Sources and Uses – Budget and Actual – Special Revenue Funds	84-112
Combining Statement of Net Assets – Nonmajor Enterprise Funds	113
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds	114
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	115
Combining Statement of Net Assets – Internal Service Funds	116
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	117
Combining Statement of Cash Flows – Internal Service Funds	118
Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds	119
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds	120
Combining Statement of Fiduciary Net Assets – Agency Funds	121
Combining Statement of Changes in Assets and Liabilities – Agency Funds	122-123
Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds	124
Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds	125
Drain Commission Component Unit:	
Statement of Net Assets and Governmental Funds Balance Sheet	126
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances	127
E.D.C.C.M. Loan Revolving Component Unit:	
Statement of Net Assets and Governmental Fund Balance Sheet	128
Statement of Activities and Governmental Fund Revenues, Expenditures And Changes in Fund Balances	129

MIDLAND COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

TABLE OF CONTENTS

STATISTICAL SECTION	
<u>Table</u>	
1	General Governmental Expenditures by Function..... 130
2	General Governmental Revenues by Source 131
3	County-Wide Property Tax Levies and Collections 132
4	Equalized Value and Estimated True Cash Value of Taxable Property 133
5	Property Tax Rates - Direct and All Overlapping Governments 134
6	Principal Taxpayers 135
7	Special Assessments Collections 136
8	Computation of Legal Debt Margin..... 137
9	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita 138
10	Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures..... 139
11	Computation of Direct and Overlapping Debt..... 140
12	Demographic Statistics 141-142
13	Property Value, Construction, and Bank Deposits 143
14	Miscellaneous Statistical Data 144
SINGLE AUDIT SECTION	
	Schedule of Expenditures of Federal Awards..... 145-146
	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i> 147-148
	Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133..... 149-150
	Schedule of Findings and Questioned Costs..... 151-154

Midland County Organizational Chart

Electorate

Elected Officials

Board of Commissioners

Sheriff

Treasurer

Clerk

Register of Deeds

Drain Commissioner

Courts

Prosecutor

Administrative Assistant
Civil Counsel

Independent Boards and Agencies
Mental Health
Social Services
Council on Aging - Pinecrest
Mid-Michigan Alliance
Solid Waste
Department of Public Works
Economic Development
Fair Board
Workforce Development Bd
Emergency Medical Services
Juvenile Facility
Road Commission
MSU Extension

Executive Secretary

Administrator/
Controller

Central Dispatch

City/County Building Authority

Jail Advisory

Juvenile Oversight

County Building Authority

Health

Parks and Recreation

Housing / House Numbering

Planning

Financial Administration

Facility Manager

Mosquito Control

Equalization

Gypsy Moth Suppression

Veteran's Services

Human Resources

Emergency Services

Information Systems

MSU Extension

Personal Health

Environmental Health

Health Administration

Finance

Budget

Procurement and Contract Administration

DPW



OFFICE OF THE ADMINISTRATOR/CONTROLLER

Midland County Services Building • 220 W. Ellsworth St. • Midland, Michigan 48640-5194

David D. Benda

Administrator/Controller

Phone (989) 832-6786

Fax (989) 832-6259

June 20, 2005

To the Citizens of
Midland County, Michigan:

The Comprehensive Annual Financial Report of the County of Midland, Michigan, for the fiscal year ended December 31, 2004 is submitted herewith. This report was prepared by the Midland County Finance Department with assistance from the County's Independent Auditors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County, as measured by the financial activity of its various funds; and that the disclosures necessary to enable the reader to gain the maximum understanding of the County's financial activity have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The **introductory section** includes this transmittal letter, a list of principal officials and the Certificate of Achievement for Excellence in Financial Reporting. The **financial section** includes Management's Discussion and Analysis, the basic financial statements and the combining fund statements, as well as the auditor's report on the financial statements. The **statistical section** includes, at a minimum, the required GFOA financial and demographic information, generally presented on a multi year basis.

Management's discussion and analysis (MD & A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD & A complement this letter of transmittal and should be read in conjunction with it.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, is included in the **single audit section** of this report.

Richard J. Busch
Personnel Director
(989) 832-6752

Bridgette M. Gransden, CPA, CGFM
Finance Director
(989) 832-6784

Kevin D. Beeson
Facilities Manager
(989) 832-6792

Jon S. Scott
Procurement & Contracts Administrator
(989) 832-6865

This report includes all funds of the County and its component units as defined in Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." The County has implemented GASB Statement No. 14, which sets forth criteria for including/excluding certain related entities in the County's basic financial statements. As a result, the Midland County Road Commission, the Office of the Midland County Drain Commissioner, the Economic Development Corporation of the County of Midland (EDCCM), and the Midland Economic Development Council (EDCCM Loan Revolving Fund) have been discretely presented as component units in the basic financial statements.

PROFILE OF THE GOVERNMENT:

The management of Midland County is overseen by a district-elected Board of Commissioners. This board consists of seven members. Board of Commissioners are elected for two year terms and have the responsibility of making appropriations to all County functions and establishing policy for all County operations. The Board of Commissioners appoints an Administrator/Controller who has the overall responsibility to oversee the administrative duties of the County with the exception of Elected Officials' Offices.

The County provides many services to the County residents including, the administration of the Courts, Sheriff Road Patrol services in the unincorporated jurisdictions of the County, the constitutional offices of the County Clerk, Treasurer, Register of Deeds, Sheriff and Prosecutor and the statutory office of the Drain Commissioner. In addition, the County supports many other programs such as the Mosquito Control Program, Gypsy Moth Suppression, Health Services, Ambulance Services, and Services to older Citizens. The County also supports cultural and recreational services such as the MSU Extension, Parks and Recreation Services, and the Pere` Marquette Rail-Trail of Mid-Michigan.

FACTORS AFFECTING FINANCIAL CONDITION:

Local Economy:

The County continues to experience economic growth and development. While much of the focus in the past has been on the Dow Chemical and Dow Corning Corporations, the County has seen growth in other segments of the economy, thanks in large part to the efforts of the Midland Economic Development Council. Following is a summary of some recent developmental activity in the County.

Commercial:

During 2004, commercial growth was scattered throughout the county. Both Home Depot and Best Buy were built and opened in the vicinity of the Midland Mall. Within a mile of the mall, a new Doctor's Office was built as well a new mini plaza. Included in this mini plaza are a sub shop, hair salon, cell phone retailer and a Blockbuster video store. Adjacent to this mini plaza is also a new coffee house. Two new churches were also built within the city limits in 2004. One of the largest additions to the landscape is a multi million dollar basketball complex (Hang Time Hoops), located between Midland and Sanford.

Residential:

New housing in 2004 was down slightly from the year before. In 2004 there were approximately 266 new housing starts. During the last three years, an average of 266 units have been started each year. The County also oversees a housing rehabilitation assistance program to facilitate comprehensive residential development.

Major Initiatives:

In 2004, the County is still trying to adjust to a lower revenue base due to pending tax appeals by two of its three largest taxpayers. These taxpayers, Midland Cogeneration Venture and The Dow Chemical Company, currently have appeals pending with the State Tax Tribunal. At this time, it is not known when these appeals will be settled. In October of 2004, the third taxpayer, Dow Corning, settled its outstanding appeal with the City of Midland. The largest of the three, Midland Cogeneration Venture, is currently being heard by the Court of Appeals. During 2004, the amount in appeal was approximately 11% of the General Fund budget. The 2004 budget includes set aside funds to offset possible liability (including possible interest assessed by the State Tax Tribunal).

The 2005 budget does not include an appropriation for the Jail Construction Fund, for the second year in a row. However, the County is still in the process of siting a new jail. To further assist in the funding of this project, the County applied for and received a Local Facility Expansion Grant from the Michigan Department of Corrections in the amount of \$754,770. These, plus previously accumulated funds, bring the total available for construction to \$2,263,786.

Financial Management:

Management of the County is responsible for establishing and maintaining internal control designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Control:

The County maintains budgetary control with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the General and Special Revenue Funds are included in the annual appropriation budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity within these Funds. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end and are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Single Audit:

As a recipient of federal and state awards, the County is responsible for ensuring that adequate internal control is in place to achieve compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the County.

As part of the County's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal award programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended December 31, 2004, disclosed no material weaknesses in internal control and no significant violations of applicable laws and regulations.

Cash and Investments:

During the year, idle cash was temporarily invested in obligations of the U.S. Government and in Certificates of Deposit ranging from 30 to 180 days to maturity, in short-term repurchase agreements with local banks, in daily interest savings accounts and in interest-bearing checking accounts.

Pension Trust Fund Operations:

Net assets available for plan benefits of the County Employees increased by 2.12% and the County Act 345 Retirement Funds decreased by 1.07%. Additionally, the County Employees' plan is now under funded by 3.3%, while the Act 345 plan continued to be over funded by 22.2%. These plans are managed through the County Clerk's Office and the County Treasurer's office in conjunction with several outside financial institutions and investment firms.

Risk Management:

The County of Midland operates a Self-Insured Workers Compensation Fund to fund its workers compensation claims. The County's Self-Insured Plan is certified by the State of Michigan on an annual basis to insure sufficiency of funds, and sufficiency of reinsurance coverage within the fund.

The County contracts it's processing of workers compensation claims with a third party. This third party conducts semiannual safety inspections at County facilities. In addition to the third party contractor, the County has established a Safety Committee responsible for reviewing accident reports, work place safety training, and making recommendations to the County on improvements to facilities or procedures that will reduce the possibility of injury.

OTHER INFORMATION:**Independent Audit:**

The Michigan Uniform Accounting and Budgeting Act requires an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected by the Midland County Board of Commissioners to perform the County's annual audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are also included in this report in the Single Audit Section.

Accounting Systems and Reports:

The County's accounting records for traditional governmental operations; i.e., General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds, are maintained on a modified accrual basis of accounting. As a result, the more significant revenues such as property taxes, intergovernmental revenues and investment earnings are recognized as earned and other revenues are generally recognized only when received. Expenditures are recorded when incurred and encumbrances placed when purchase orders are issued. Employees' accumulated unused annual leave, sick pay and longevity pay are also recognized on the modified accrual basis.

Budgetary control is maintained by an annual allotment system. Allotments, or appropriation, balances are encumbered by the simultaneous issuance and recording of purchase orders. Purchase orders that exceed allotted balances are not released until additional appropriations or appropriate budgetary adjustments are made available.

Page Five

Awards:

It is with great pleasure I report that last year's 2003 Comprehensive Annual Financial Report, as approved by the Board of Commissioners, did again receive the Certificate of Achievement for Excellence in Financial Reporting as given by the Government Finance Officers Association (GFOA). The receipt of this award indicates that the County of Midland has achieved the highest standards in government accounting and financial reporting as prescribed by the accounting and reporting profession. This Certificate has been inserted as part of the Introductory Section of this report.

Acknowledgements:

Appreciation is extended to the Finance Department and various employees throughout the County responsible for financial management and reporting. Their adherence to following the law, utilizing proper accounting methods and eliminating waste from processes has greatly improved the efficiency and accountability of the entire County.

Respectfully submitted,

A handwritten signature in cursive script, reading "Bridgette M. Gransden".

Bridgette M. Gransden, CPA, CGFM
Midland County Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Midland,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director



INDEPENDENT AUDITORS' REPORT

April 14, 2005

Board of Commissioners
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Midland County, Michigan**, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Midland County, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Economic Development Corporation of the County of Midland (E.D.C.C.M.), which represents 6.7% and 0.3%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the E.D.C.C.M. is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Midland County, Michigan**, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general and major special revenue funds, for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2005, on our consideration of the **Midland County, Michigan's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Midland County, Michigan's** basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the County. The combining and individual nonmajor fund financial statements and schedules and accompanying schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

A handwritten signature in cursive script, reading "Lehmann Lohman".

Management's Discussion and Analysis

As management of *Midland County, Michigan*, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$58,387,233 (*net assets*). Of this amount, \$38,126,466 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$5,337,658.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$37,689,459, an increase of \$3,981,268 in comparison with the prior year. Approximately 96 percent of this total amount, or \$36,008,577, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,880,947, or 19 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by a net of \$845,000 during the current fiscal year. During 2004, the County had one new combined bond issue for water projects in Hope and Edenville Townships. The issue totaled \$420,000. The difference was annual payments on other bond issues held by the County.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety (including the jail), health and welfare, public works, and parks and recreation. The business-type activities of the County include the delinquent tax collections, property foreclosures and jail commissary operations.

The government-wide financial statements include not only Midland County itself (known as the primary government), but also a legally separate Road Commission, Economic Development Council Loan Revolving Fund, Drain Commissioner Office, and Economic Development Corporation, for which Midland County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Midland County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 60 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

expenditures, and changes in fund balances for the General, Health Department, Tax Set-aside, and Revenue Sharing Reserve funds, each of which are considered to be major funds. Data from the other 56 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 17-24 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax collections, property foreclosures and jail commissary operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Midland County uses internal service funds to account for its computer equipment maintenance and replacement, insurances, and mobile data terminal operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Both the enterprise funds and internal service funds are combined in separate single, aggregated presentations in the proprietary fund financial statements. Individual fund data for enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 72-129 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Midland County, assets exceeded liabilities by \$58,387,233 at the close of the most recent fiscal year.

One of the largest portions of the County's net assets (25 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Midland County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 81,833,019	\$ 82,101,184	\$ 2,791,083	\$ 2,420,666	\$ 84,624,102	\$ 84,521,850
Capital assets, net	17,413,073	18,283,731	-	-	17,413,073	18,283,731
Total assets	99,246,092	100,384,915	2,791,083	2,420,666	102,037,175	102,805,581
Long-term liabilities outstanding	22,143,186	22,977,757	-	-	22,143,186	22,977,757
Other liabilities	21,410,808	25,572,719	95,948	5,767	21,506,756	25,578,486
Total liabilities	43,553,994	48,550,476	95,948	5,767	43,649,942	48,556,243
Net Assets						
Invested in capital assets, net of related debt	14,609,279	14,836,979	-	-	14,609,279	14,836,979
Restricted	5,651,488	4,868,001	-	-	5,651,488	4,868,001
Unrestricted	35,431,331	32,129,459	2,695,135	2,414,899	38,126,466	34,544,358
Total net assets	\$ 55,692,098	\$ 51,834,439	\$ 2,695,135	\$ 2,414,899	\$ 58,387,233	\$ 54,249,338

An additional portion of the County's net assets (9.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (65.3 percent or \$38,126,466) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$5,337,658 during the current fiscal year. This growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

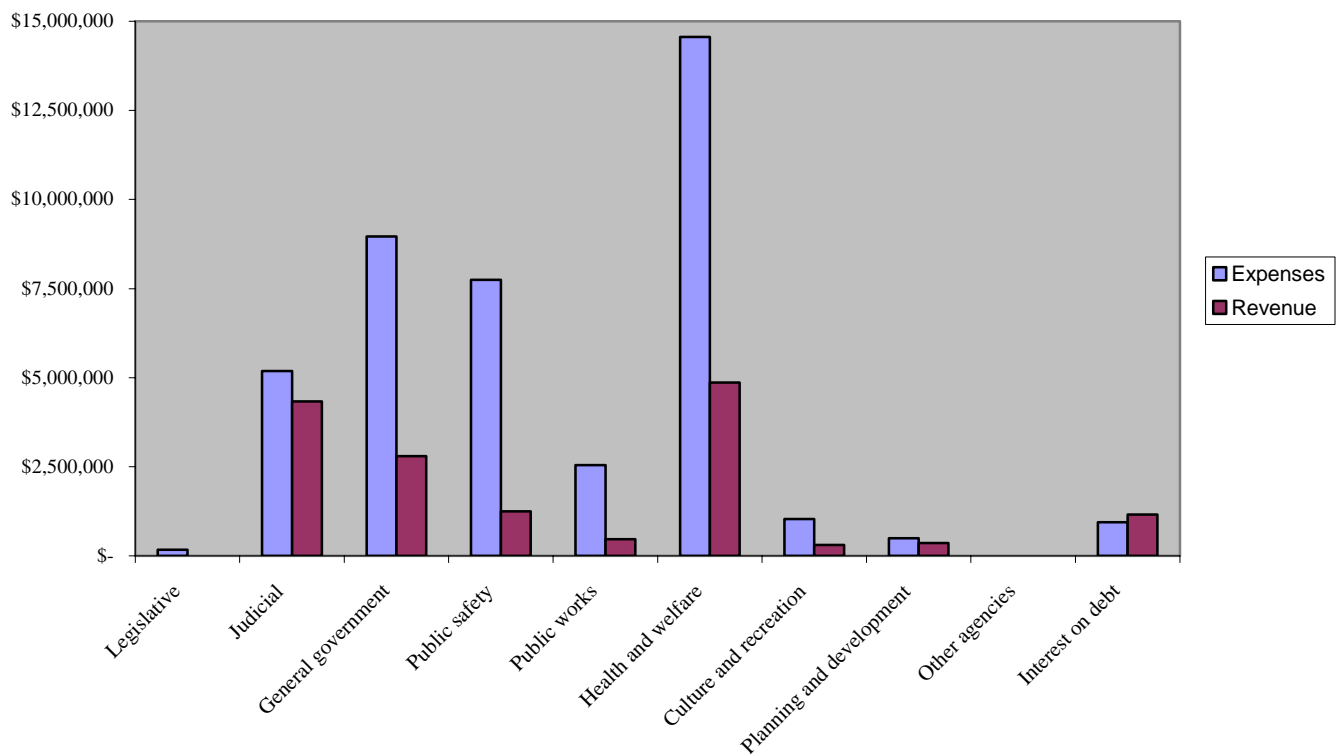
Midland County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue						
Program revenue:						
Charges for services	\$ 6,078,462	\$ 6,425,711	\$ 723,694	\$ 709,831	\$ 6,802,156	\$ 7,135,542
Operating grants and contrib	7,688,168	7,808,053	-	-	7,688,168	7,808,053
Capital grants and contrib	1,814,748	6,492,133	-	-	1,814,748	6,492,133
General revenue:						
Property taxes	29,578,093	24,265,636	-	-	29,578,093	24,265,636
Grants and contributions not restricted to specific programs	578,980	1,726,711	-	-	578,980	1,726,711
Other	1,003,739	1,071,664	51,679	40,167	1,055,418	1,111,831
Total revenue	46,692,190	47,789,908	775,373	749,998	47,467,563	48,539,906
Expenses						
Legislative	175,094	182,500	-	-	175,094	182,500
Judicial	5,185,363	4,943,317	-	-	5,185,363	4,943,317
General government	8,958,228	7,439,439	-	-	8,958,228	7,439,439
Public safety	7,746,958	6,209,268	-	-	7,746,958	6,209,268
Public works	2,545,802	3,008,048	-	-	2,545,802	3,008,048
Health and welfare	14,555,308	11,531,653	-	-	14,555,308	11,531,653
Culture and recreation	1,033,046	755,616	-	-	1,033,046	755,616
Planning and development	492,736	363,753	-	-	492,736	363,753
Other agencies	-	6,102,871	-	-	-	6,102,871
Interest on debt	942,235	901,930	-	-	942,235	901,930
Delinquent property tax	-	-	149,231	198,565	149,231	198,565
Inmate services	-	-	55,184	47,425	55,184	47,425
Total expenses	41,634,770	41,438,395	204,415	245,990	41,839,185	41,684,385
Increase in net assets before transfers	5,057,420	6,351,513	570,958	504,008	5,628,378	6,855,521
Transfers	-	-	290,720	334,406	290,720	334,406
Increase in net assets	5,057,420	6,351,513	280,238	169,602	5,337,698	6,521,115
Net assets - beginning of year, as restated	50,634,678	45,482,926	2,414,897	2,245,297	53,049,575	47,728,223
Net assets - end of year	<u>\$ 55,692,098</u>	<u>\$ 51,834,439</u>	<u>\$ 2,695,135</u>	<u>\$ 2,414,899</u>	<u>\$ 55,387,233</u>	<u>\$ 54,249,338</u>

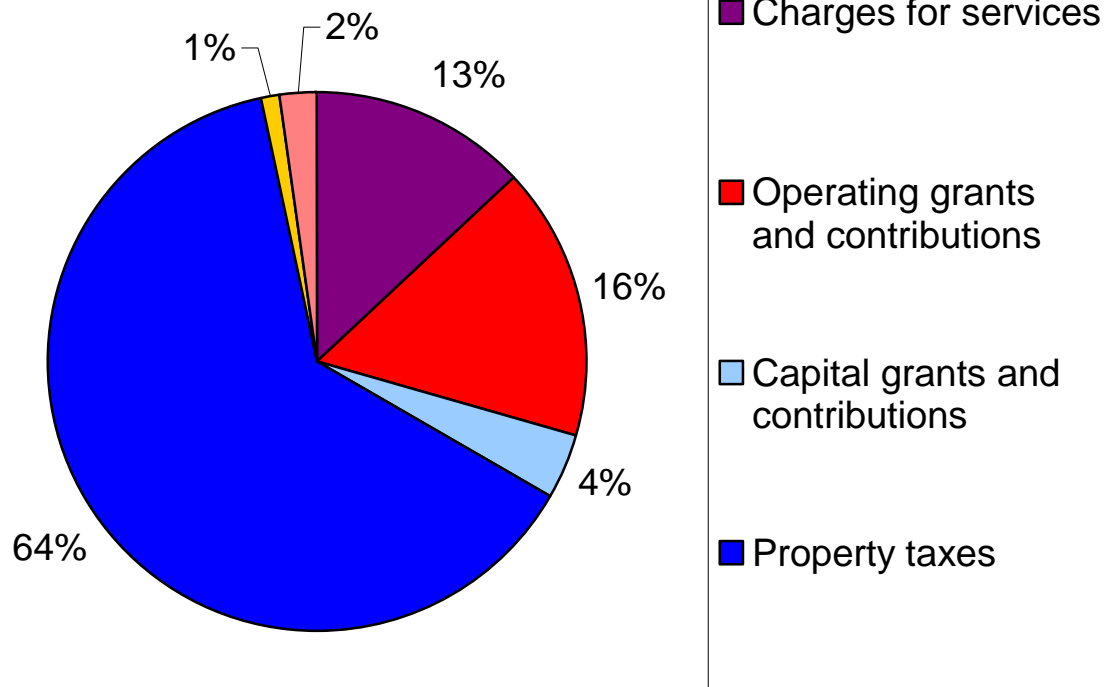
Governmental activities. Governmental activities increased the County's net assets by \$5,057,420, accounting for 94.8 percent of the total growth in the net assets of the County. Key elements of this increase are as follows:

- Property taxes increased by \$5,312,457 (21.9 percent) during the year. This increase is primarily due to the Revenue Sharing Reserve Fund, created as a result of PA 357 of 2004. The property tax revenue for 2004 was levied in December 2004. However, one third of this amount was required to be set-aside in the Revenue Sharing Reserve Fund to replace future revenue sharing monies eliminated by the state legislature. Though the taxes are collected in the general fund and then transferred to the Revenue Sharing Reserve Fund, the law requires that they be recognized immediately as tax revenue, rather than deferring this revenue until the next fiscal year.
- The elimination of Other Agencies expense is due to the reclassification of those expenses to other categories, primarily Health and Welfare and Public Safety.
- Beginning net assets have been restated for the governmental activities to correct errors in accounting for capital assets, capital leases payable and accrued interest payable from 2003. These corrections are detailed in note IV F on page 71.

Expenses and Program Revenues - Governmental Activities



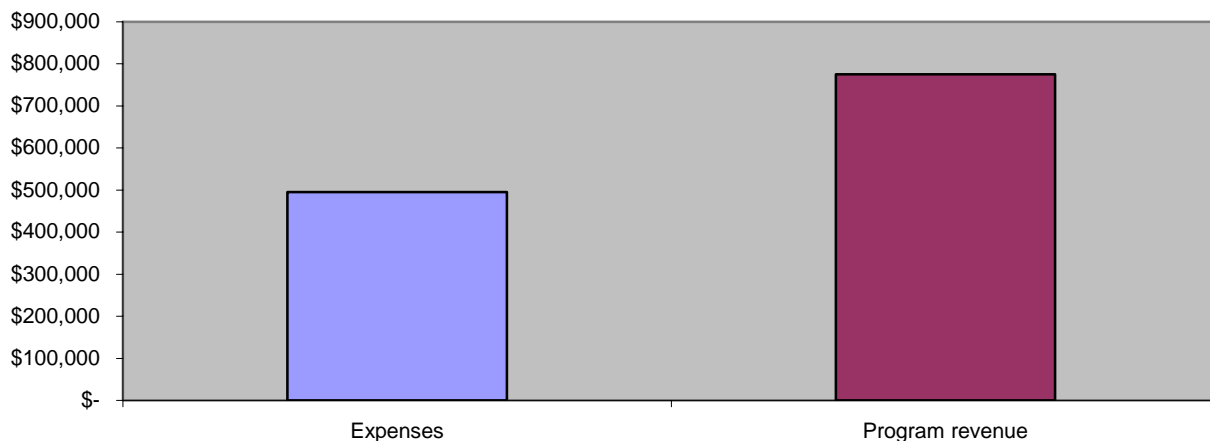
Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the County's net assets by \$280,238, accounting for 5.2 percent of the total growth in the government's net assets for the current year. Key elements of this increase are as follows:

- Revenues increased by 3.4 percent or \$25,375. This increase was due to a slight increase in both the collection of delinquent tax and foreclosures, and investment earnings.
- Expenses also decreased 1.5 percent, or \$85,261, due to less maintenance expense on foreclosed properties and the number of transfers.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$37,689,459, an increase of \$3,704,174 in comparison with the prior year. Approximately 96 percent of this total amount (\$36,008,577) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$164,350), 2) for prepaid items (\$4,568), 3) for long-term advances (\$855,089), 4) for encumbrances (\$156,875) or 5) for the permanent fund (\$500,000).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,880,947, while total fund balance was \$5,776,430. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 19 percent of total general fund expenditures and transfers out.

The fund balance of the County's general fund decreased by \$1,261,745 during the current fiscal year. This is primarily attributable to transfers to other funds for health insurance expenses, liability insurance and capital. Other factors include the reduction of budgeted revenue to offset reductions in monies from the State, such as revenue sharing, single business tax and prisoner boarding reimbursements in the jail.

The Health Department fund had a decrease in fund balance for the current year of \$124,697, for an ending total of \$61,585. This decrease was primarily the result of reduced state revenue and anticipated increasing health costs.

The Tax Set-aside fund has a total fund balance of \$18,934,611, which increased by \$2,214,752 during the year. This increase is the result of interest earnings and transfers from other funds to set aside taxes for potential appeals by the County's three largest taxpayers. The effect of these transfers was offset by repayment of taxes to Dow Corning Corporation, one of the County's largest taxpayers, previously appealing property taxes.

The Revenue Sharing Reserve Fund has a total fund balance of \$4,496,089. This fund was established in 2004 as a result of PA 357 of 2004.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures resulted in an increase of \$215,163 in appropriations. The largest increase in the budget during the year was to the judicial activity of \$114,753. This was the result of increases in indigent attorney fees, public guardians, and jury fees. The increase in jury fees was also offset by an equal increase in revenues in the form of a reimbursement from the state.

During the year, though general fund revenues fell short of budgetary estimates, expenditures were less than the amended budget, resulting in revenues over expenses. While both the original and amended budgets included reductions in fund balance, the reduction was less than the amended budget by \$321,205.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounted to \$17,413,073 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and vehicles. The total decrease in the County's investment in capital assets for the current fiscal year was 4.8 percent. The County's business-type activities have no capital assets.

Major capital asset events during the current fiscal year included the following:

- Various equipment and vehicles have been purchased in the governmental funds (\$821,167) and internal service funds (\$70,766)

Midland County's Capital Assets
(net of depreciation)

	Governmental <u>activities</u>
Land	\$ 1,594,862
Land improvements	642,675
Buildings and improvements	13,069,937
Machinery and equipment	971,893
Vehicles	1,133,706
	<hr/>
Total	<u><u>\$ 17,413,073</u></u>

Additional information on the County's capital assets can be found in note III C on pages 45-48 of this report.

Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$22,143,186. Of this amount, \$19,945,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents leases and compensated absences.

Midland County's Outstanding Debt
General Obligation Bonds

	Governmental <u>activities</u>
General obligation bonds	\$ 19,945,000
	<hr/>
Total	<u><u>\$ 19,945,000</u></u>

The County's total bonded debt decreased by \$845,000 (4.1 percent) during the current fiscal year, with one new bond issuance.

The County's bond rating ranges from A to AAA. The AAA rating is given for bond issues that are backed with millage levies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is \$320,976,256, which is significantly in excess of the County's outstanding general obligation debt.

In June 2004, the County issued \$420,000 of bonds to finance the acquisition and construction of water supply improvements as part of the Midland County Water Supply (Townships of Edenville and Hope) System in the Townships.

Additional information on the County's long-term debt can be found in note III G on pages 52-58 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2005 fiscal year:

- The April 2004 unemployment rate for the Saginaw-Bay City-Midland metropolitan area (the County is in the Saginaw area) was 8.2 percent, which is an increase from a rate of 8.0 percent a year ago. This was higher than the State's April 2004 average unemployment rate of 6.3 percent and the national average rate of 5.4 percent.
- Inflationary trends in the region compare favorably to national indices.
- Labor contract with the largest bargaining unit expired at December 31, 2002. During 2004, this contract was successfully settled.
- The County continued to set-aside money to offset the potential unfavorable outcome of tax appeals with two of the County's three largest taxpayers. The third appeal was settled prior to approval of the final budget.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director's office, 220 W. Ellsworth, Midland, Michigan 48640.

**MIDLAND COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investment pool	\$ 35,538,134	\$ 305,255	\$ 35,843,389	\$ 2,817,520
Receivables	46,160,157	2,485,828	48,645,985	4,441,115
Prepaid items and other assets	134,728	-	134,728	484,352
Capital assets, not being depreciated	1,594,862	-	1,594,862	5,593,401
Capital assets, net of depreciation	15,818,211	-	15,818,211	14,513,353
Total assets	99,246,092	2,791,083	102,037,175	27,849,741
Liabilities				
Accounts payable	2,038,859	95,948	2,134,807	760,775
Unearned revenue	19,371,949	-	19,371,949	1,028,000
Noncurrent liabilities:				
Due within one year	2,680,747	-	2,680,747	522,537
Due in more than one year	19,462,439	-	19,462,439	1,577,317
Total liabilities	43,553,994	95,948	43,649,942	3,888,629
Net Assets				
Invested in capital assets, net of related debt	14,609,279	-	14,609,279	18,435,859
Restricted for:				
Debt service	164,350	-	164,350	-
Capital projects	4,987,138	-	4,987,138	-
Permanent fund - nonexpendable	500,000	-	500,000	-
Unrestricted	35,431,331	2,695,135	38,126,466	5,525,253
Total net assets	\$ 55,692,098	\$ 2,695,135	\$ 58,387,233	\$ 23,961,112

The accompanying notes are an integral part of these financial statements.

**MIDLAND COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 175,094	\$ -	\$ -	\$ -	\$ (175,094)
Judicial	5,185,363	1,866,158	2,468,552	-	(850,653)
General government	8,958,228	1,396,286	1,387,650	10,000	(6,164,292)
Public safety	7,746,958	587,778	481,782	181,972	(6,495,426)
Public works	2,545,802	-	-	463,160	(2,082,642)
Health and welfare	14,555,308	2,121,776	2,740,668	-	(9,692,864)
Culture and recreation	1,033,046	86,137	222,045	-	(724,864)
Planning and development	492,736	20,327	337,471	-	(134,938)
Interest on debt	942,235	-	-	1,159,616	217,381
Total governmental activities	<u>41,634,770</u>	<u>6,078,462</u>	<u>7,638,168</u>	<u>1,814,748</u>	<u>(26,103,392)</u>
Business-type activities:					
Delinquent property tax	149,231	660,673	-	-	511,442
Inmate services	55,184	63,021	-	-	7,837
Total business-type activities	<u>204,415</u>	<u>723,694</u>	<u>-</u>	<u>-</u>	<u>519,279</u>
Total primary government	<u>\$ 41,839,185</u>	<u>\$ 6,802,156</u>	<u>\$ 7,638,168</u>	<u>\$ 1,814,748</u>	<u>\$ (25,584,113)</u>
Component units					
Road Commission	\$ 6,044,042	\$ 1,620,936	\$ 5,895,508	\$ 904,889	\$ 2,377,291
EDCCM Loan Revolving	103,510	-	1,072	-	(102,438)
Drain Commission	452,030	-	-	430,614	(21,416)
EDCCM	<u>6,969</u>	<u>-</u>	<u>16,814</u>	<u>-</u>	<u>9,845</u>
Total component units	<u>\$ 6,606,551</u>	<u>\$ 1,620,936</u>	<u>\$ 5,913,394</u>	<u>\$ 1,335,503</u>	<u>\$ 2,263,282</u>

continued...

MIDLAND COUNTY
STATEMENT OF ACTIVITIES (Concluded)
FOR THE YEAR ENDED DECEMBER 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (26,103,392)	\$ 519,279	\$ (25,584,113)	\$ 2,263,282
General revenues:				
Property taxes	29,578,093	-	29,578,093	1,005,718
Grants and contributions not restricted to specific programs	578,980	-	578,980	13,788
Unrestricted investment earnings	713,019	51,679	764,698	46,251
Gain on sale of capital assets	-	-	-	136,791
Transfers - internal activities	290,720	(290,720)	-	-
Total general revenues and transfers	31,160,812	(239,041)	30,921,771	1,202,548
Change in net assets	5,057,420	280,238	5,337,658	3,465,830
Net assets, beginning of year, as restated	50,634,678	2,414,897	53,049,575	20,495,282
Net assets, end of year	<u>\$ 55,692,098</u>	<u>\$ 2,695,135</u>	<u>\$ 58,387,233</u>	<u>\$ 23,961,112</u>

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2004

<u>ASSETS</u>	General	Health	Tax Set Aside	Revenue Sharing Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investment pool	\$ 4,670,337	\$ 249,255	\$ 18,917,344	\$ -	\$ 9,020,886	\$ 32,857,822
Receivables						
Accounts	28,515	-	-	-	109,439	137,954
Loans	-	-	-	-	1,572,169	1,572,169
Current taxes	17,057,948	-	-	-	7,841,976	24,899,924
Interest	17,173	-	17,267	-	13,949	48,389
Due from other funds	1,326,769	25,696	-	5,621,611	331,515	7,305,591
Due from other governmental units	266,841	-	-	-	18,611,858	18,878,699
Prepaid expenditures	4,568	-	-	-	8,150	12,718
Long-term advances to other funds	410,000	-	-	-	-	410,000
Long-term advances to component units	445,089	-	-	-	-	445,089
<u>TOTAL ASSETS</u>	\$ 24,227,240	\$ 274,951	\$ 18,934,611	\$ 5,621,611	\$ 37,509,942	\$ 86,568,355
<u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES						
Accounts payable	\$ 218,803	\$ 27,884	\$ -	\$ -	\$ 268,516	\$ 515,203
Accrued wages	1,174,059	178,085	-	-	336,469	1,688,613
Due to other funds	5,621,611	-	-	1,125,522	558,458	7,305,591
Due to other governmental units	-	-	-	-	70,000	70,000
Deferred revenue	11,436,337	7,397	-	-	27,445,384	38,889,118
Deposits held	-	-	-	-	371	371
Long-term advances from other funds	-	-	-	-	410,000	410,000
TOTAL LIABILITIES	18,450,810	213,366	-	1,125,522	29,089,198	48,878,896
FUND BALANCE						
Reserved for						
Long-term advances to other funds	410,000	-	-	-	-	410,000
Long-term advances to component units	445,089	-	-	-	-	445,089
Prepaid expenditures	4,568	-	-	-	-	4,568
Encumbrances	35,826	2,392	-	-	118,657	156,875
Debt service	-	-	-	-	164,350	164,350
Permanent fund	-	-	-	-	500,000	500,000
Unreserved						
Designated for subsequent years expenditures, special revenue funds			18,934,611	4,496,089	-	23,430,700
Designated for capital projects, capital projects fund	-	-	-	-	4,987,138	4,987,138
Undesignated-reported in:						
General fund	4,880,947	-	-	-	-	4,880,947
Special revenue funds	-	59,193	-	-	2,650,599	2,709,792
TOTAL FUND BALANCE	5,776,430	61,585	18,934,611	4,496,089	8,420,744	37,689,459
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 24,227,240	\$ 274,951	\$ 18,934,611	\$ 5,621,611	\$ 37,509,942	\$ 86,568,355

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
DECEMBER 31, 2004

Fund balances - total governmental funds	\$ 37,689,459
--	---------------

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	29,754,331
Deduct - accumulated depreciation	(12,542,264)

Internal service funds are used by management to charge the costs of certain activities such as insurances, to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service funds	2,711,815
---	-----------

Certain revenue that was earned and accrued in the current period but not received after 60 days is deferred in the fund statements but recognized under full accrual.

Add - deferred revenue on loans receivable	1,572,169
Add - deferred revenue on amounts due from other governments	17,945,000

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - long-term portion of compensated absences payable	(261,568)
Deduct - accrued interest payable	(360,050)
Deduct - bonds and capital leases payable	(20,816,794)

Net assets of governmental activities	<u>\$ 55,692,098</u>
---------------------------------------	----------------------

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Health	Tax Set Aside	Revenue Sharing Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 16,712,779	\$ -	\$ -	\$ 5,621,611	\$ 7,243,700	\$ 29,578,090
Intergovernmental revenue	2,363,012	1,224,849	-	-	4,811,080	8,398,941
Charges for services	3,046,741	323,755	-	-	1,239,495	4,609,991
Licenses and permits	155,760	151,077	-	-	-	306,837
Investment income	275,940	-	260,126	-	134,390	670,456
Contributions from local units	-	-	-	-	1,588,026	1,588,026
Miscellaneous revenue	368,619	764,224	-	-	445,282	1,578,125
TOTAL REVENUES	22,922,851	2,463,905	260,126	5,621,611	15,461,973	46,730,466
EXPENDITURES						
Current						
General service administration	6,057,577	-	945,638	-	189	7,003,404
Legislative	175,101	-	-	-	-	175,101
Judicial	3,944,519	-	-	-	1,226,763	5,171,282
Law enforcement and corrections	5,684,241	-	-	-	120,548	5,804,789
Public safety and emergency services	366,804	-	-	-	-	366,804
Public works	18,483	-	-	-	-	18,483
Health and welfare	211,963	3,168,608	-	-	8,486,008	11,866,579
Culture and recreation	744,973	-	-	-	-	744,973
Planning and development	125,196	-	-	-	282,565	407,761
Other agencies	908,685	-	-	-	5,232,236	6,140,921
Capital outlay	-	68,103	-	-	2,943,902	3,012,005
Debt service:						
Principal	75,923	-	-	-	1,265,000	1,340,923
Interest/fiscal charges	25,797	-	-	-	916,535	942,332
TOTAL EXPENDITURES	18,339,262	3,236,711	945,638	-	20,473,746	42,995,357
REVENUES OVER (UNDER) EXPENDITURES	4,583,589	(772,806)	(685,512)	5,621,611	(5,011,773)	3,735,109
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	420,000	420,000
Sale of capital assets	35,439	-	-	-	-	35,439
Transfers in	1,424,305	678,620	2,900,264	-	4,296,487	9,299,676
Transfers (out)	(7,305,078)	(30,511)	-	(1,125,522)	(1,047,845)	(9,508,956)
TOTAL OTHER FINANCING SOURCES (USES)	(5,845,334)	648,109	2,900,264	(1,125,522)	3,668,642	246,159
NET CHANGE IN FUND BALANCES	(1,261,745)	(124,697)	2,214,752	4,496,089	(1,343,131)	3,981,268
FUND BALANCES, BEGINNING OF YEAR, as restated	7,038,175	186,282	16,719,859	-	9,763,875	33,708,191
FUND BALANCES, END OF YEAR	\$ 5,776,430	\$ 61,585	\$ 18,934,611	\$ 4,496,089	\$ 8,420,744	\$ 37,689,459

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - total governmental funds \$ 3,981,268

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	821,167
Deduct - net loss on sale of capital assets	(153,737)
Deduct - depreciation expense	(950,599)

Revenues in the statement of activities that do not provide current resources are not reported as fund revenues	533,363
---	---------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	1,340,923
Deduct - proceeds of long-term debt	(420,000)

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

17,000

Governmental funds report payments received on long-term receivables from other governmental units as revenues. However, these repayments are reductions of due from other governments on the statement of net assets.

(660,000)

Internal service funds are used by management to charge the costs of certain equipment usage and insurance costs to individual governmental funds. The net revenue (expense) of the fund attributable to those funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service funds	7,553
Add - investment income from governmental internal service funds	40,709
Add - net transfers	500,000

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable	(92)
Deduct - increase in accrual for compensated absences	(135)

Change in net assets of governmental activities	\$ 5,057,420
---	--------------

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 16,710,059	\$ 16,771,581	\$ 16,712,779	\$ (58,802)
Intergovernmental revenue	3,459,952	2,322,404	2,363,012	40,608
Charges for services	3,161,277	2,990,979	3,046,741	55,762
Licenses and permits	150,250	156,250	155,760	(490)
Interest earnings	289,071	289,071	275,940	(13,131)
Miscellaneous	431,864	433,232	368,619	(64,613)
TOTAL REVENUES	24,202,473	22,963,517	22,922,851	(40,666)
EXPENDITURES				
Current operations:				
General service administration	6,237,589	6,237,981	6,057,577	180,404
Legislative	213,223	213,936	175,101	38,835
Judicial	3,972,883	4,087,636	3,944,519	143,117
Law enforcement and corrections	5,652,767	5,724,959	5,684,241	40,718
Emergency services and public safety	399,300	396,093	366,804	29,289
Public works	18,491	18,644	18,483	161
Health and welfare	200,490	221,451	211,963	9,488
Culture and recreation	764,226	752,978	744,973	8,005
Planning and development	127,875	132,167	125,196	6,971
Other agencies	903,911	920,073	908,685	11,388
Debt service:				
Principal	75,923	75,923	75,923	-
Interest/fiscal charges	25,797	25,797	25,797	-
TOTAL EXPENDITURES	18,592,475	18,807,638	18,339,262	468,376
REVENUES OVER EXPENDITURES	5,609,998	4,155,879	4,583,589	427,710
Other financing sources (uses):				
Sale of capital assets	1,000	31,000	35,439	4,439
Transfers in	418,000	1,543,522	1,424,305	(119,217)
Transfers out	(6,681,384)	(7,313,351)	(7,305,078)	8,273
Total other financing uses	(6,262,384)	(5,738,829)	(5,845,334)	(106,505)
NET CHANGE IN FUND BALANCES	(652,386)	(1,582,950)	(1,261,745)	321,205
Fund balance at beginning of year, as restated	7,038,175	7,038,175	7,038,175	-
FUND BALANCE AT END OF YEAR	\$ 6,385,789	\$ 5,455,225	\$ 5,776,430	\$ 321,205

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HEALTH DEPARTMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 1,148,181	\$ 1,162,181	\$ 1,224,849	\$ 62,668
Charges for services	382,383	382,383	323,755	(58,628)
Licenses and permits	166,205	166,205	151,077	(15,128)
Miscellaneous revenue	260,114	705,028	764,224	59,196
TOTAL REVENUES	1,956,883	2,415,797	2,463,905	48,108
EXPENDITURES				
Health and welfare	2,595,968	3,015,588	3,168,608	(153,020)
Capital outlay	39,535	75,139	68,103	7,036
TOTAL EXPENDITURES	2,635,503	3,090,727	3,236,711	(145,984)
REVENUES OVER (UNDER) EXPENDITURES	(678,620)	(674,930)	(772,806)	(97,876)
Other financing sources (uses)				
Transfers in	678,620	678,620	678,620	-
Transfers out	-	(30,511)	(30,511)	-
Total other financing sources (uses)	678,620	648,109	648,109	-
NET CHANGE IN FUND BALANCES	-	(26,821)	(124,697)	(97,876)
Fund balance at beginning of year	186,282	186,282	186,282	-
FUND BALANCE AT END OF YEAR	\$ 186,282	\$ 159,461	\$ 61,585	\$ (97,876)

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TAX SET-ASIDE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Interest earnings	\$ -	\$ -	\$ 260,126	\$ 260,126
EXPENDITURES				
Repayment of tax set-asides	-	-	945,638	(945,638)
REVENUES OVER EXPENDITURES	-	-	(685,512)	(685,512)
Other financing sources				
Transfers in	-	-	2,900,264	2,900,264
NET CHANGE IN FUND BALANCES	-	-	2,214,752	2,214,752
Fund balance at beginning of year	16,719,859	16,719,859	16,719,859	-
FUND BALANCE AT END OF YEAR	\$ 16,719,859	\$ 16,719,859	\$ 18,934,611	\$ 2,214,752

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - REVENUE SHARING RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ -	\$ 1,125,522	\$ 5,621,611	\$ 4,496,089
Other financing sources (uses)				
Transfers out	-	(1,125,522)	(1,125,522)	-
NET CHANGE IN FUND BALANCES	-	-	4,496,089	4,496,089
Fund balance at beginning of year	-	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 4,496,089	\$ 4,496,089

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 305,255	\$ 2,680,317
Receivables		
Accounts	-	172,281
Delinquent tax	1,301,048	-
Interest	1,959	5,652
Due from other governments	1,182,821	-
Prepaid items and other assets	-	122,010
Noncurrent assets:		
Long-term advances to other funds	878,000	-
Capital assets, net	-	201,006
Total assets	3,669,083	3,181,266
Liabilities		
Current liabilities:		
Accounts payable	5,264	3,381
Accrued liabilities	-	466,070
Due to other governments	90,684	-
Noncurrent liabilities:		
Long-term advance from other funds	878,000	-
Total liabilities	973,948	469,451
Net Assets		
Invested in capital assets	-	201,006
Unrestricted	2,695,135	2,510,809
Total net assets	\$ 2,695,135	\$ 2,711,815

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Interest earnings	\$ 329,879	\$ -
Collection fees	315,236	-
Rental income	63,021	96,180
Billings to departments	-	2,834,654
Miscellaneous	15,558	249,710
	<u>723,694</u>	<u>3,180,544</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Compensation payments	-	196,319
Reinsurance premiums	-	18,343
Consultant services	46,584	13,983
General service administration	56,646	2,810,678
Supplies	56,705	-
Depreciation expense	-	133,668
	<u>159,935</u>	<u>3,172,991</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	<u>563,759</u>	<u>7,553</u>
NON-OPERATING REVENUE (EXPENSE)		
Interest income	51,679	40,709
Interest and paying agent fees	(44,480)	-
	<u>7,199</u>	<u>40,709</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)		
Income (loss) before transfers	<u>570,958</u>	<u>48,262</u>
Transfers in	373,771	500,000
Transfers out	(664,491)	-
	<u>(290,720)</u>	<u>500,000</u>
Total transfers		
CHANGE IN NET ASSETS	280,238	548,262
NET ASSETS, Beginning of year	<u>2,414,897</u>	<u>2,163,553</u>
NET ASSETS, End of year	<u>\$ 2,695,135</u>	<u>\$ 2,711,815</u>

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities Internal Service Funds
Cash flows from operating activities:		
Cash received from interfund services provided	\$ 200,240	\$ 3,410,286
Cash paid for interfund services provided	(200,240)	-
Cash received from customers	78,579	76,269
Cash payments to suppliers for goods and services	(2,237,509)	(160,197)
Cash received from penalties and interest on delinquent taxes	1,904,834	-
Cash payments for delinquent tax rolls	(47,567)	-
Cash payments for insurance claims	-	(3,028,799)
	<u>(301,663)</u>	<u>297,559</u>
Cash flows from noncapital financing activities:		
Proceeds from interfund loans	935,500	-
Payments made on interfund loans	(1,826,000)	-
Interest paid on long-term debt	(44,480)	-
Transfers in	373,771	500,000
Transfers out	(664,491)	-
	<u>(1,225,700)</u>	<u>500,000</u>
Cash flows from capital and related financing activities:		
Payments for equipment acquisitions	-	(70,766)
Cash flows from investing activities:		
Interest on investments	53,373	41,587
	<u>53,373</u>	<u>41,587</u>
Net cash provided by (used in) investing activities	<u>53,373</u>	<u>41,587</u>
Net increase (decrease) in cash and cash equivalents	(1,473,990)	768,380
Cash and cash equivalents, beginning of year	<u>1,779,245</u>	<u>1,911,937</u>
Cash and cash equivalents, end of year	<u><u>\$ 305,255</u></u>	<u><u>\$ 2,680,317</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 563,759	\$ 7,553
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	-	133,668
Changes in operating assets and liabilities which provided (used) cash:		
Other receivables	-	(50,974)
Delinquent taxes receivable	26,237	-
Other assets	(981,841)	(13,658)
Due from other funds	(200,240)	340,000
Due from other governmental units	-	-
Accounts payable	(502)	(34,081)
Accrued liabilities	-	(84,949)
Due to other funds	200,240	-
Due to other governmental units	90,684	-
	<u>90,684</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ (301,663)</u></u>	<u><u>\$ 297,559</u></u>

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
STATEMENT OF FIDUCIARY NET ASSETS-FIDUCIARY FUNDS
DECEMBER 31, 2004

	Private- Purpose Trust Funds	Pension & Other Employee Benefit Trust Funds	Agency Funds
ASSETS			
Cash and investment pool	\$ 386,660	\$ 240,877	\$ 2,683,688
Investments:			
Common stock	750,077	47,089,821	-
Corporate bonds	-	17,882,689	-
Short-term fixed income investment	-	1,401,703	-
U.S. government securities	-	8,605,793	-
Total investments	750,077	74,980,006	-
Receivables:			
Accounts	-	23,180	-
Interest	804	407,796	120
Prepayments	-	82,154	-
Total other current assets	804	513,130	120
Total assets	1,137,541	75,734,013	\$ 2,683,808
Liabilities:			
Accounts and contracts payable	-	-	\$ 65,160
Deposits held	-	-	2,096,932
Due to other governments	-	-	521,716
Total liabilities	-	-	\$ 2,683,808
Net assets held in trust for:			
Specific programs	1,137,541	-	
Retirement benefits	-	75,534,896	
Total net assets	\$ 1,137,541	\$ 75,534,896	

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Private- Purpose Trust Funds	Pension & Other Employee Benefit Trust Funds
ADDITIONS		
Contributions		
Employer	\$ -	\$ 1,195,526
Plan members	-	656,901
	-	1,852,427
Investment income		
Interest	6,467	1,388,596
Dividends	20,301	809,880
Net appreciation in fair value of investments	256,807	4,977,411
	283,575	7,175,887
Less investment expense	-	(362,929)
	283,575	6,812,958
TOTAL ADDITIONS	283,575	8,665,385
DEDUCTIONS		
Administrative expense	34,558	-
Health and welfare	171,514	-
Benefits paid	-	3,383,868
Participant refunds	-	134,250
	206,072	3,518,118
Net increase in plan assets	77,503	5,147,267
Net assets held in trust, beginning of year	1,060,038	70,387,629
NET ASSETS HELD IN TRUST, END OF YEAR	\$ 1,137,541	\$ 75,534,896

The accompanying notes are an integral part of the financial statements.

MIDLAND COUNTY
STATEMENT OF NET ASSETS-COMPONENT UNITS
DECEMBER 31, 2004

	County Road	E.D.C.C.M. Loan Revolving	Drain Commissioner	E.D.C.C.M.	Totals
ASSETS					
Cash and investment pool	\$ 1,387,076	\$ 148,560	\$ 1,257,751	\$ 24,133	\$ 2,817,520
Receivables (net):					
Current taxes	1,028,000	-	-	-	1,028,000
Special assessments	-	-	2,080,629	-	2,080,629
Interest	-	119	889	-	1,008
Other	-	15,000	-	-	15,000
Due from other governments	1,316,478	-	-	-	1,316,478
Deferred expense	3,497	-	-	-	3,497
Inventory	480,855	-	-	-	480,855
Capital assets, net:					
Assets not being depreciated	3,627,870	-	126,631	1,838,900	5,593,401
Assets being depreciated	14,065,287	-	448,066	-	14,513,353
TOTAL ASSETS	21,909,063	163,679	3,913,966	1,863,033	27,849,741
LIABILITIES					
Accounts and contracts payable	56,027	-	30,239	820	87,086
Accrued liabilities	228,600	-	-	-	228,600
Unearned revenue	1,028,000	-	-	-	1,028,000
Advance from primary government	-	-	445,089	-	445,089
Noncurrent liabilities:					
Long-term debt due within one year	178,118	-	264,419	80,000	522,537
Long-term debt due in more than one year	250,841	-	1,246,476	80,000	1,577,317
TOTAL LIABILITIES	1,741,586	-	1,986,223	160,820	3,888,629
NET ASSETS					
Investment in capital assets, net of related debt	17,693,157	-	(936,198)	1,678,900	18,435,859
Unrestricted	2,474,320	163,679	2,863,941	23,313	5,525,253
TOTAL NET ASSETS	\$ 20,167,477	\$ 163,679	\$ 1,927,743	\$ 1,702,213	\$ 23,961,112

The accompanying notes are an integral part of the financial statements.

MIDLAND COUNTY
STATEMENT OF ACTIVITIES - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2004

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Road Commission					
Governmental activities:					
Public works	\$ 6,044,042	\$ 1,620,936	\$ 5,895,508	\$ 904,889	\$ 2,377,291
EDCCM Loan Revolving	103,510	-	1,072	-	(102,438)
Drain Commissioner					
Governmental activities:					
Public works	386,637	-	-	430,614	43,977
Interest on debt	65,393	-	-	-	(65,393)
Total Drain Commissioner	452,030	-	-	430,614	(21,416)
EDCCM					
Governmental activities:					
General government	6,969	-	16,814	-	9,845
Total component units	\$ 6,606,551	\$ 1,620,936	\$ 5,913,394	\$ 1,335,503	\$ 2,263,282

	Component Units				Total
	Road Commission	EDCCM Loan Revolving	Drain Commissioner	EDCCM	
Changes in net assets					
Net (expense) revenue	\$ 2,377,291	\$ (102,438)	\$ (21,416)	\$ 9,845	\$ 2,263,282
General revenues:					
Property taxes	1,005,718	-	-	-	1,005,718
Unrestricted investment earnings	25,367	2,039	15,670	3,175	46,251
Grants and contributions not restricted to programs	2,966	-	10,822	-	13,788
Gain on sale of capital assets	136,791	-	-	-	136,791
Total general revenues	1,170,842	2,039	26,492	3,175	1,202,548
Change in net assets	3,548,133	(100,399)	5,076	13,020	3,465,830
Net assets, beginning of year, as restated	16,619,344	264,078	1,922,667	1,689,193	20,495,282
Net assets, end of year	<u>\$ 20,167,477</u>	<u>\$ 163,679</u>	<u>\$ 1,927,743</u>	<u>\$ 1,702,213</u>	<u>\$ 23,961,112</u>

The accompanying notes are an integral part of these financial statements.

MIDLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

I. SIGNIFICANT ACCOUNTING POLICIES

The County of Midland, Michigan ("the County") was organized in 1850 and covers an area of approximately 528 square miles, with the County seat located in the City of Midland. The County operates under an elected Board of Commissioners (seven members) and provides services to its 82,874 residents (per 2000 census) in many areas, including law enforcement, administration of justice, community enrichment and development, and human services.

A. Reporting entity

In accordance with generally accepted accounting principles, these financial statements present the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because they are entities for which the County is considered to be financially accountable.

Blended component unit

The Midland County Building Authority (the Authority) was incorporated under provisions of Michigan Public Act 31 of 1948 and is governed by a five member board appointed by the Midland County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings. As a result, the County has included in its financial statements a debt service fund, used for the accumulation of resources to pay off the debt. Also, the County has incorporated the bond issues into its long term debt and capital assets are included in the governmental activities column.

Discretely presented component units

The component unit columns in the financial statements include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

The Midland County Road Commission is the agency through which the County carries on activities relative to roads and highways. The Midland County Board of Commissioners appoints three Road Commissioners for six-year terms and the County has the ability to impose its will on the Road Commission. Road service is conducted within the County and for the benefit of County residents. Motor Vehicle Highway funds and local property taxes are the primary revenue sources.

The Midland Economic Development Council ("E.D.C.C.M. Loan Revolving Fund") was established by the Midland County Board of Commissioners pursuant to P.A. 338 to assist and retain local industries and commercial enterprises. The Midland County Board of Commissioners appoints the Board of Directors. Although the County is not liable on any notes or bonds of the E.D.C.C.M. Loan Revolving Fund, the County is the applicant for all grants, and the County is the lender of such grants. The E.D.C.C.M. Loan Revolving Fund does not issue separate financial statements.

The Midland County Drain Commissioner is the Agency through which the County carries on the activities related to construction and maintenance of County drains. The Drain Commissioner is fiscally dependent on Midland County. Public Act 40 (The Drain Code) of 1956 established each drainage district as a separate legal entity with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The Drain Commissioner may issue debt and levy special assessments without the prior approval of the County Board of Commissioners. The Full Faith and Credit of the County may be given for the debt of the drainage districts. The Drain Commissioner deposits its receipts with the County Treasurer.

The Midland Economic Development Corporation ("E.D.C.C.M.") was established in accordance with Act 338 of the Public Acts of 1984, by a resolution of the Midland County Board of Commissioners. The E.D.C.C.M. was formed to assist in the attraction, expansion and retention of facilities which provide employment and which are most desirable and beneficial to the environment, economics and citizenry of Midland County. The E.D.C.C.M. is not a lending institution, except as provided by the Community Development Block Grant Re-use Plan as approved by the Midland County Board of Commissioners. Its function is as an issuer of tax-exempt bonds, in accordance with Act 338 as amended. The Midland County Board of Commissioners appoints the Board of Directors and has the ability to significantly influence the operations of the E.D.C.C.M.

MIDLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Complete financial statements of the discrete component units can be obtained from their respective administrative offices listed below or from the County Clerk's Office at the Courthouse.

ADMINISTRATIVE OFFICES:

Midland County Road Commission
4509 N. Saginaw Road
Midland, MI 48640

Midland Economic Development Corporation
300 Rodd Street
Midland, MI 48640

Related disclosures for the County's component units have been incorporated into the notes to the financial statements and are referenced to the above mentioned component units when applicable.

Related organizations

The County's Board of Commissioners is also responsible for appointing members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. The County board chairman or specific committees of the County board appoints one board member of the Council on Aging, one board member of the Emergency Medical Services Board and two board members (out of seven) of the Midland County Central Dispatch Authority.

Joint Building Authority

The County is a participant with the City of Midland in a joint City/County Building Authority (the "Joint Authority"). The Joint Authority was created to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites for the joint use of the City and County.

The Joint Authority is governed by a three-member board composed of an appointee from both the City and County and a third who is mutually appointed. Complete financial statements for the Joint Authority can be obtained from the Joint Authority's administrative office or at the County Clerk's Office.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

In August 1993, the Joint Authority began operations and issued \$4,000,000 in general obligation bonds for the construction/renovation of a Central Dispatch facility. The County and City have entered into leases for the facility's use. The County is obligated for 33.01% and the City 66.99% under such leases for operating costs of the facility and to redeem the bonds including interest. The County reports their share of the bond costs as a capital lease. In March 2003, the 1994 Bonds with principal balance remaining of \$2,550,000 and an average interest rate of 6% were refunded for \$2,665,000 in new bonds with a 3.4415% average interest rate.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements except for agency funds. Agency funds use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state revenues, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The ***General Fund*** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

MIDLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

The ***Health Department Fund*** accounts for the State revenues, service fees and General Fund appropriations for providing health services to citizens of the County.

The ***Tax Set-aside fund*** accounts for the funds set aside for possible unfavorable tax appeals.

The ***Revenue Sharing Reserve Fund*** accounts for tax millage funds as required by Public Act 357 of 2004.

The County currently has no major proprietary funds.

Additionally, the County reports the following fund types:

The ***Internal Service Funds*** account for equipment maintenance and replacement, insurances, and mobile data terminal operations that provide services to other departments and agencies on a cost-reimbursement basis.

The ***Private Purpose Trust Funds*** account for trust arrangements for the juvenile care center, forfeitures, the Family Independent Agency and others, which accumulate resources held in trust for those specific purposes.

The ***Pension and Other Employee Benefit Trust Funds*** account for the activities of the County Employees' Retirement System, Act 345 Retirement System and the Retiree Healthcare Plan, which accumulate resources for pension and health benefit payments for qualified employees.

The ***Agency Funds*** account for assets held for other governments in an agency capacity. These include the County Agency, Retainment, Flexible Benefits, Library Penal Fines and Inmate Agency Funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the jail commissary fund and of the County's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The County Treasurer maintains centralized management of most County cash resources, including cash resources of the following component units: Midland County Drain Commission, the Midland County Road Commission and the Economic Development Corporation of Midland County. Available cash is invested temporarily in certificates of deposits, money market accounts or other highly liquid investments.

Each fund's share of the balance is reported in a separate cash account for the respective fund. The interest carried on the pooled funds is credited to the General Fund and is allocated to most funds based on average balances. Negative balances occasionally arise in some funds and represent implied interfund borrowings.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

For purposes of the Statement of Cash Flows, these funds consider all highly liquid investments held by trustees with a maturity of three months or less when purchased to be cash equivalents. In addition, all cash and investments with the County Treasurer are also considered to be cash equivalents since they are available to the funds on demand.

Investments are stated at fair value. The County's investment policies are governed by State statutes. Statutes authorize the County to invest in obligations of the U.S. Treasury and agencies (either individually or in pooled funds), domestic certificates of deposit, commercial paper with prescribed ratings and repurchase agreements. The terms of investments and financial institutions used for investment purposes are determined based upon County needs. Retirement fund investments are subject to a number of restrictions as to type, quality and concentration of investments.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Inventory and prepaid items

Inventory in the Road Commission component unit is stated at cost using the first-in-first-out method. Inventory consists of various operating parts, supplies and road material. The County utilizes the consumption method to account for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

4. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined for financial statement purposes as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

In the Drain Commissioner component unit and the Road Commission component unit, infrastructure includes only those infrastructure assets acquired subsequent to January 1, 2002.

Capital assets of the primary government as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Public domain/system infrastructure	50
Equipment	3-10
Vehicles	6-15

5. Deferred revenue

Deferred revenues relate primarily to 2004 property taxes assessed on December 31, 2003 (lien date) which are levied on December 1, 2004, and are to be collected principally in February, 2005. These taxes have been recorded as a receivable and as deferred revenue at December 31, 2004 since they are not available to finance expenditures until 2005.

MIDLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

6. Compensated absences

County employees accumulate compensated leave time in varying amounts depending on length of service and other factors. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

8. Fund equity

Reservations of fund balance are established to identify (1) claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, for example, inventories and prepayments. Such reserves are not intended as valuation allowances, but merely demonstrate the current unavailability of the subject assets to pay current expenditures.

Designations of fund balance indicate plans for future financial resource utilization. These designations represent those portions of fund equity which cannot be appropriated for expenditures.

MIDLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The General Fund and Special Revenue Funds operate under formal budgetary control. A general appropriation budget is prepared in accordance with Michigan Public Act 2 of 1968, as amended, and the budgetary document is submitted annually by the County Administrator/Controller to the Finance Committee which recommends formal adoption by the Midland County Board of Commissioners. Budgets presented in the financial statements are prepared on a modified accrual basis of accounting and encompass all amendments.

Budgetary control is exercised at the function level. The Administrator/Controller is authorized to make budget transfers within these funds at the function level.

The Board of Commissioners is authorized to make and has made supplemental appropriation adjustments to the budget during the fiscal year as deemed necessary at the levels of budgetary control as noted above. These adjustments are reflected in the budget amounts in the financial statements. All encumbered appropriations lapse at the end of the fiscal year unless related commitments, contracts or purchase orders are outstanding at year end.

B. Excess of expenditures over appropriations

The following funds had excess of expenditures over appropriation at the legal level of budgetary control:

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
SPECIAL REVENUE FUNDS:			
Health Department			
Health and welfare	\$3,015,588	\$3,168,608	\$153,020
Tax Set-Aside			
Repayments of tax set-aside	-	945,638	945,638
Friend of the Court			
Judicial	1,152,770	1,156,432	3,662
Probate Court Child Care			
Health and welfare	1,120,517	1,152,539	32,022
ETC Transportation			
Health and welfare	1,478,531	1,596,059	117,528

MIDLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Financial Statement Presentation

	Statement of Net Assets			
	Primary Government	Component Units	Fiduciary Funds	Total
Cash and interest bearing deposits	\$35,843,389	\$2,817,520	\$ 3,311,225	\$ 41,972,134
Investments	-	-	<u>75,730,083</u>	<u>75,730,083</u>
	<u>\$35,843,389</u>	<u>\$2,817,520</u>	<u>\$79,041,308</u>	<u>\$117,702,217</u>

Footnote Presentation

	Total
Deposits	\$ 27,794,713
Investments	89,882,301
Cash on hand	<u>25,203</u>
Total	<u>\$117,702,217</u>

Due to the nature of the County's cash management pool, it is not possible to segregate deposits and investments between the primary government and component units. The same is true for FDIC insurance coverage. Accordingly, only reporting entity totals are shown for the deposits and investments, as well as the FDIC coverage.

Deposits

At year end, the bank balance of the County's deposits was \$28,353,794. Of the bank balance, \$824,133 was covered by federal depository insurance and \$27,529,661 was neither insured nor collateralized.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Investments

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name (the County currently does not hold any investments of this type). Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the County's name.

As of December 31, 2004, investments consist of the following:

	Category		Uncategorized	Carrying/Fair Value
	1	3		
Common Stock	\$750,077	\$ 47,089,821	\$ -	\$ 47,839,898
Corporate Bonds	-	17,882,689	-	17,882,689
U.S. Government Securities	-	13,956,429	-	13,956,429
Commercial Paper	-	8,801,582	-	8,801,582
Governmental Operating Money				
Market Funds	-	-	1,401,703	1,401,703
Total Investments	<u>\$750,077</u>	<u>\$ 87,730,521</u>	<u>\$1,401,703</u>	<u>\$ 89,882,301</u>

B. Receivables

Receivables in the primary government and component units are as follows:

	Governmental Activities	Business-type Activities	Component Units
Taxes / special assessments	\$ 24,899,924	\$ 1,301,048	\$ 3,108,629
Accounts	310,235	-	15,000
Interest	54,041	1,959	1,008
Loans	1,572,169		
Intergovernmental	<u>19,323,788</u>	<u>1,182,821</u>	<u>1,316,478</u>
Total	<u>\$ 46,160,157</u>	<u>\$ 2,485,828</u>	<u>\$ 4,441,115</u>

Loans receivable of \$1,572,169 include approximately \$1,400,000 not expected to be collected within one year. Special assessments receivable in the Drain Commissioner component unit of \$2,080,629 include approximately \$1,650,000 not expected to be collected within one year. Intergovernmental receivable of \$19,323,788 include approximately \$17,000,000 not expected to be collected within one year.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	\$ -	\$11,436,337
Property taxes receivable (Non-major governmental fund types)	-	7,841,976
Loans receivable	1,572,169	-
Long-term intergovernmental	17,945,000	
Grant drawdowns prior to meeting all eligibility requirements (Health Department Fund)	-	7,397
Intergovernmental revenue received prior to meeting all recognition requirements		<u>86,239</u>
Total	<u>\$19,517,169</u>	<u>\$19,371,949</u>

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

C. Capital assets

Primary Government

The following table summarizes the capital asset activity of the primary government for the year ended December 31, 2004:

	<u>Balance January 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2004</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,433,862	\$ -	\$ -	\$ 1,433,862
Construction in progress	-	161,000	-	161,000
Total capital assets, not being depreciated:	<u>1,433,862</u>	<u>161,000</u>	<u>-</u>	<u>1,594,862</u>
Capital assets, being depreciated:				
Land improvements	1,744,335	-	(68,329)	1,676,006
Buildings and improvements	22,052,342	197,848	(19,123)	22,231,067
Machinery and equipment	2,809,363	164,192	(134,622)	2,838,933
Vehicular equipment	<u>2,175,740</u>	<u>368,893</u>	<u>(237,121)</u>	<u>2,307,512</u>
Total capital assets being depreciated	<u>28,781,780</u>	<u>730,933</u>	<u>(459,195)</u>	<u>29,053,518</u>
Less accumulated depreciation for:				
Land improvements	(997,041)	(80,985)	44,695	(1,033,331)
Buildings and improvements	(8,709,443)	(456,866)	5,179	(9,161,130)
Machinery and equipment	(1,717,698)	(279,593)	130,251	(1,867,040)
Vehicular equipment	<u>(1,032,289)</u>	<u>(266,823)</u>	<u>125,306</u>	<u>(1,173,806)</u>
Total accumulated depreciation	<u>(12,456,471)</u>	<u>(1,084,267)</u>	<u>305,431</u>	<u>(13,235,307)</u>
Total capital assets being depreciated, net	<u>16,325,309</u>	<u>(353,334)</u>	<u>(153,764)</u>	<u>15,818,211</u>
Governmental activities capital assets, net	<u>\$ 17,759,171</u>	<u>\$ (192,334)</u>	<u>\$ (153,764)</u>	<u>\$ 17,413,073</u>

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Depreciation expense was charged to functions/programs of the primary government as follows:

Judicial	\$ 15,731
General government	471,177
Public safety	195,044
Public works	52,573
Health and welfare	157,379
Culture and recreation	58,695
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>133,668</u>
Total depreciation expense-governmental activities	<u>\$1,084,267</u>

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Discretely presented component units

Activity for the Road Commission for the year ended December 31, 2004, was as follows:

	Balance January 1, 2004	Increases	Decreases	Balance December 31, 2004
Capital assets not being depreciated				
Land and improvements	\$3,619,170	\$ -	\$ -	\$3,619,170
Land / right-of-way	<u>8,700</u>	<u>-</u>	<u>-</u>	<u>8,700</u>
Total capital assets not being depreciated	<u>3,627,870</u>	<u>-</u>	<u>-</u>	<u>3,627,870</u>
Capital assets being depreciated				
Buildings	2,718,925	-	-	2,718,925
Road equipment	4,399,308	790,814	(461,293)	4,728,829
Shop equipment	144,222	-	-	144,222
Office equipment	106,283	4,441	(28,149)	82,575
Engineers equipment	57,054	5,499	(306)	62,247
Infrastructure – bridges	856,960	52,583	-	909,543
Infrastructure – roads	6,243,334	4,192,321	-	10,435,655
Infrastructure – traffic signals	<u>67,447</u>	<u>-</u>	<u>-</u>	<u>67,447</u>
Total capital assets being depreciated	<u>14,593,533</u>	<u>5,045,658</u>	<u>(489,748)</u>	<u>19,149,443</u>
Less accumulated depreciation				
Buildings	(603,247)	(54,783)	-	(658,030)
Road equipment	(3,154,020)	(535,572)	388,070	(3,301,522)
Shop equipment	(124,766)	(8,581)	-	(133,347)
Office equipment	(93,315)	(5,072)	28,149	(70,238)
Engineers equipment	(43,945)	(5,629)	306	(49,268)
Infrastructure – bridges	(19,412)	(18,751)	-	(38,163)
Infrastructure – roads	(372,286)	(450,004)	-	(822,290)
Infrastructure – traffic signals	<u>(6,779)</u>	<u>(4,519)</u>	<u>-</u>	<u>(11,298)</u>
Total accumulated depreciation	<u>(4,417,770)</u>	<u>(1,082,911)</u>	<u>416,525</u>	<u>(5,084,156)</u>
Net capital assets being depreciated	<u>10,175,763</u>	<u>3,962,747</u>	<u>(73,223)</u>	<u>14,065,287</u>
Total net capital assets	<u>\$13,803,633</u>	<u>\$ 3,962,747</u>	<u>\$ (73,223)</u>	<u>\$17,693,157</u>

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Discretely presented component units

Activity for the Drain Commission for the year ended December 31, 2004, was as follows:

	<u>Balance January 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2004</u>
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 126,631	\$ -	\$ 126,631
Capital assets, being depreciated:				
Infrastructure	460,162	-	-	460,162
Total capital assets	460,162	126,631	-	586,793
Less accumulated depreciation for:				
Infrastructure	(3,443)	(8,653)	-	(12,096)
Total capital assets being depreciated, net	\$ 456,719	\$ 117,978	\$ -	\$ 574,697

Discretely presented component units

Activity for the E.D.C.C.M. for the year ended December 31, 2004, was as follows:

	<u>Balance January 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2004</u>
Capital assets, not being depreciated:				
Land	\$ 1,822,100	\$ 16,800	\$ -	\$ 1,838,900

D. Payables

Accounts payable and accrued liabilities in the primary government are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts	\$ 518,584	\$ 5,264
Wages, fringe benefits and other accrued liabilities	1,090,225	-
Interest payable	360,050	-
Intergovernmental	70,000	90,684
Total	\$ 2,038,859	\$ 95,948

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

E. Interfund Receivables, payables, and transfers

Interfund receivables and payables as of December 31, 2004 are as follows:

	Due From:			
	General	Revenue Sharing Reserve	Nonmajor Governmental	Total
Due to:				
General	\$ -	\$ 1,125,522	\$ 201,247	\$ 1,326,769
Health Department	-	-	25,696	25,696
Revenue Sharing Reserve	5,621,611	-	-	5,621,611
Nonmajor Governmental	-	-	331,515	331,515
Total	<u>\$ 5,621,611</u>	<u>\$ 1,125,522</u>	<u>\$ 558,458</u>	<u>\$ 7,305,591</u>

Long-term advances as of December 31, 2004 are as follows:

	Advance From		
	General Fund	Nonmajor Enterprise`	Total
Advance to:			
Nonmajor governmental	\$ 410,000	\$ -	\$ 410,000
Nonmajor enterprise	-	878,000	878,000
Total	<u>\$ 410,000</u>	<u>\$ 878,000</u>	<u>\$1,288,000</u>

MIDLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Interfund transfers as of December 31, 2004 are as follows:

Transfer to:	Transfer From:						Total
	General	Health Department	Revenue Sharing Reserve	Nonmajor Governmental	Nonmajor Enterprise		
General	\$ -	\$ -	\$ 1,125,522	\$ 8,063	\$ 290,720		\$ 1,424,305
Health Department	678,620	-	-	-	-		678,620
Tax Set Aside	2,062,590	-	-	837,674	-		2,900,264
Nonmajor Governmental	4,063,868	30,511	-	202,108	-		4,296,487
Nonmajor Enterprise	-	-	-	-	373,771		373,771
Internal Service	500,000	-	-	-	-		500,000
Total	<u>\$ 7,305,078</u>	<u>\$ 30,511</u>	<u>\$ 1,125,522</u>	<u>\$ 1,047,845</u>	<u>\$ 664,491</u>		<u>\$ 10,173,447</u>

Interfund receivables and payables are primarily for short-term financing of certain operations. In addition, Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, requires the establishment of a restricted fund to be known as the Revenue Sharing Reserve Fund. In compliance with Act 357, the General Fund owes the Revenue Sharing Reserve Fund for one third of the 2004 property tax levy. The Revenue Sharing Reserve Fund in return owes the General Fund for the amounts the County would have received for their October and December 2003 and February 2004 State revenue sharing.

Long-term advances from the General Fund to other funds are commonly made without specific repayment terms to finance new activities during their initial operations. A reservation of fund balance is maintained in the General Fund for these advances as shown on the balance sheet-governmental funds. Advances are made by the General Fund based upon the cash needs of the funds receiving. Advances between the 2003 Tax Repayment Fund and the Delinquent Tax Revolving Fund exist to maintain adequate reserves in the 2003 Tax Repayment Fund until delinquent taxes are collected.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Interfund transfers include transfer of unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations; and, transfer of revenues from the fund that is required to collect them to the fund that is required or allowed to expend them. In addition, the Revenue Sharing Reserve Fund has transferred the amount of the October and December 2003 and February 2004 State revenue sharing in compliance with Public Act 357 of 2004.

F. Leases

Operating Leases

The County has an operating lease with the Midland-Gladwin Community Mental Health Services in which the County leases out office facilities. The office facilities are the fourth floor of the Midland County Services Building. The following is a summary of annual minimum future rentals “scheduled” or anticipated to be received on the lease in excess of one year as of December 31, 2004:

2005	\$ 10,654
2006	10,654
2007	10,654
2008	10,654
2009	10,654
2010-2011	<u>21,308</u>
Total minimum future rentals	<u>\$ 74,578</u>

MIDLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

G. Long-term debt

The County has issued general obligation bonds to provide funds for the acquisition and construction of major capital assets. The bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years for the governmental activities was \$26,625,000. The Drain Commissioner component unit has notes for drain construction. The original amount of these notes was \$2,773,000. The E.D.C.C.M. component unit has a land contract payable outstanding. The original amount of the land contract payable was \$400,000.

	<u>Balance January 1, 2004</u>	<u>Additions (Deductions)</u>	<u>Balance December 31, 2004</u>
Governmental Activities:			
<u>5.75% Midland County Water Supply System Bonds (Township of Homer)</u> , dated September 1, 1997, principal due in annual installments of \$65,000 to \$305,000 through August 2017, interest is due semiannually on February 1 st and August 1 st .	\$ 3,735,000	\$(240,000)	\$3,495,000
<u>4.0% to 5.25% Midland County Water Supply System Bonds (Township of Larkin)</u> , dated August 1, 1997, principal due in annual installments of \$15,000 to \$45,000 through August 2016, interest is due semiannually on February 1 st and August 1 st .	420,000	(40,000)	380,000
<u>3.7% to 4.9% Midland County Water Supply System Bonds (Township of Jerome)</u> , dated January 1, 1998, principal due in annual installments of \$35,000 to \$100,000 through August 1, 2017, interest due semi-annually on February 1 st and August 1 st .	1,010,000	(50,000)	960,000

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

	<u>Balance January 1, 2004</u>	<u>Additions (Deductions)</u>	<u>Balance December 31, 2004</u>
<u>4.4% to 5.75% Midland County Water Supply System (Lincoln Township) Bonds</u> , dated June 26, 1996, principal due in annual installments of \$10,000 to \$15,000 through May 1, 2011, interest is due semi-annually on November 1st and May 1st.	\$ 120,000	\$ (15,000)	\$ 105,000
<u>4.0% to 7.0% Midland County Water Supply System (Midland Township) Bonds</u> , dated August 1, 1999, principal due in annual installments of \$110,000 to \$300,000 through August 1, 2019, interest due semi- annually on February 1 st and August 1 st .	3,355,000	(140,000)	3,215,000
<u>5.2% Midland County Water Supply System Bonds (Township of Larkin)</u> , dated September 1, 1999, principal due in annual installments of \$60,000 to \$340,000 through August 1, 2019, interest due semi-annually on February 1 st and August 1st.	3,930,000	(155,000)	3,775,000
<u>2.00% to 2.625% Midland County Revenue Refunding Building Authority Bonds</u> , dated September 1, 2003, principal due in annual installments of \$445,000 to \$635,000 through June, 2008, interest is due semi-annually on June 1st and December 1st, callable at par plus a premium of 1% to 2%.	2,605,000	(605,000)	2,000,000
<u>Capital Lease - City and County of Midland Joint Building Authority Law Enforcement Center Construction</u> . Interest from 4.3% to 6.8%. Interest due on May 1 and Nov. 1, principal due on May 1, through 2013.	879,717	(75,923)	803,794

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

	<u>Balance January 1, 2004</u>	<u>Additions (Deductions)</u>	<u>Balance December 31, 2004</u>
<u>4.0% to 6.0% Midland County Water Supply System (HomerTownship) Bonds</u> , dated August 1, 2003, principal due in annual installments of \$20,000 to \$155,000 through August 1, 2023, interest due semi-annually on February 1 st and August 1 st .	\$ 2,955,000	\$ (20,000)	\$ 2,935,000
<u>4.5% Midland County Water Supply System Bonds (Township of Homer)</u> , dated September 1, 2003, principal due in annual installments of \$85,000 to \$155,000 through August 1, 2024, interest due semi-annually on February 1 st and August 1 st .	2,660,000	-	2,660,000
<u>1.750%-4.750% Midland County Water Supply System Bonds (Edenville/Hope)</u> , Dated June 1, 2004, principal due in annual installments of \$10,000 to \$25,000 through August 1, 2024, interest due semi-annually on February 1 st and August 1 st .	-	420,000	420,000
Deferred amounts-premium	85,000	(17,000)	68,000
Accrued compensated leave time payable	<u>1,261,005</u>	<u>65,387</u>	<u>1,326,392</u>
Total Governmental Activity	<u>\$23,015,722</u>	<u>(872,536)</u>	<u>\$22,143,186</u>

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

	<u>Balance January 1, 2004</u>	<u>Additions (Deductions)</u>	<u>Balance December 31, 2004</u>
Component Units:			
<u>Drain Commissioner:</u>			
<u>5.00% Spitnale Drain Note</u> dated September 1, 1997 due in annual installments of \$12,285 plus interest through June 15, 2004.	\$ 12,285	\$ (12,285)	\$ -
<u>4.73% Redstone Drain Note</u> dated July 1, 1999 due in annual installments of \$30,000 plus interest through June 1, 2004.	60,000	(30,000)	30,000
<u>4.09% Troyer Drain Note</u> dated August 27, 1999 due in annual installments of \$37,000 plus interest through June 1, 2005.	37,000	(37,000)	-
<u>5.39% Emma Drain Note</u> dated September 8, 2000 due in annual installments of \$48,334 plus interest through June 1, 2006.	145,000	(48,333)	96,667
<u>5.09% Hastings Drain Note</u> dated June 30, 2000 due in annual installments of \$15,500 plus interest through June 1, 2004.	15,500	(15,500)	-
<u>5.09% Whitney Drain Note</u> dated June 30, 2000 due in annual installments of \$18,750 plus interest through June 1, 2004.	18,750	(18,750)	-
<u>4.0% Waite Debolt Drain Note</u> dated June 30, 2001 due in annual installments of \$17,400 plus interest through June 1, 2006.	52,200	(17,400)	34,800
<u>4.0% Ashby Drain Bond</u> dated September 1, 2001 due in annual installments of \$45,000 to \$50,000 plus interest through Sept. 1, 2021.	890,000	(50,000)	840,000
<u>3.45% Tigner Drain Note</u> dated May 1, 2002 due in annual installments of \$18,600 plus interest through June 15, 2007.	74,400	(18,600)	55,800

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

	<u>Balance January 1, 2004</u>	<u>Additions (Deductions)</u>	<u>Balance December 31, 2004</u>
<u>3.57% Durbin & Branch Drain Bond</u> dated August 2, 2002 due in annual installments of \$34,286 plus interest through June 1, 2009.	\$ 205,714	\$ (34,286)	\$ 171,428
<u>3.45% Fulmer Drain Note</u> dated May 1, 2003 due in annual installments of \$35,600 plus interest through June 15, 2008.	178,000	(35,600)	142,400
<u>3.86% Junction Drain Note</u> dated September 1, 2004 due in annual installments of \$27,400 plus interest through June 15, 2009.	-	137,000	137,000
<u>5.31% Davison Joint Drain Note</u> dated January 7, 2000 due in annual installments of \$2,800 plus interest through June 1, 2005	5,600	(2,800)	2,800
<u>E.D.C.C.M:</u> <u>Land contract payable</u> due in annual installments of \$80,000 plus 7.0% interest through December 28, 2006.	<u>240,000</u>	<u>(80,000)</u>	<u>160,000</u>
Total Component Unit Debt	<u>\$ 1,934,449</u>	<u>\$ (263,554)</u>	<u>\$1,670,895</u>
Road Commission component unit accrued compensated absences	<u>\$ 417,720</u>	<u>\$ 11,239</u>	<u>\$ 428,959</u>

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Changes in long-term liabilities:					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$20,790,000	\$ 420,000	\$ (1,265,000)	\$19,945,000	\$1,540,000
Deferred amounts-premium	85,000	-	(17,000)	68,000	-
Capital leases	879,717	-	(75,923)	803,794	75,923
Compensated absences	<u>1,261,005</u>	<u>1,064,827</u>	<u>(999,440)</u>	<u>1,326,392</u>	<u>1,064,824</u>
Governmental activity Long-term liabilities	<u>\$23,015,722</u>	<u>\$ 1,484,827</u>	<u>\$ (2,357,363)</u>	<u>\$22,143,186</u>	<u>\$2,680,747</u>
Component Units:					
Notes payable:					
Drain notes & bonds	\$ 1,694,449	\$ 137,000	\$ (320,554)	\$ 1,510,895	\$ 264,419
Land contract payable	240,000	-	(80,000)	160,000	80,000
Compensated absences	<u>417,720</u>	<u>135,852</u>	<u>(124,613)</u>	<u>428,959</u>	<u>178,118</u>
Component unit Long-term liabilities	<u>\$ 2,352,169</u>	<u>\$ 272,852</u>	<u>\$ (525,167)</u>	<u>\$ 2,099,854</u>	<u>\$ 522,537</u>

For the governmental activities, compensated absences are generally liquidated by the general fund and certain special revenue funds.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

The annual requirements to pay principal and interest on long-term obligations outstanding at December 31, 2004, excluding capital leases and accrued compensated absences, are as follows:

	<u>Primary Government</u>		<u>Component Unit</u>		<u>Component Unit</u>	
	<u>General Obligations</u>		<u>General Obligations</u>		<u>Land Contract</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,540,000	\$ 888,885	\$ 264,419	\$ 60,477	\$ 80,000	\$ 5,600
2006	1,460,000	824,796	231,619	50,733	80,000	5,600
2007	1,490,000	760,038	165,885	41,492	-	-
2008	1,535,000	693,183	142,286	35,651	-	-
2009	1,090,000	579,668	111,686	30,427	-	-
2010-2014	5,755,000	2,363,348	245,000	110,586	-	-
2015-2019	5,685,000	1,005,390	250,000	54,437	-	-
2020-2024	<u>1,390,000</u>	<u>179,331</u>	<u>100,000</u>	<u>4,875</u>	<u>-</u>	<u>-</u>
Totals	<u>\$19,945,000</u>	<u>\$7,294,639</u>	<u>\$1,510,895</u>	<u>\$ 388,678</u>	<u>\$ 160,000</u>	<u>\$ 11,200</u>

County debt is limited to 10% of state equalized value of property in the County, or approximately \$333,000,000.

Minimum capital lease payments for each of the years succeeding December 31, 2004 for the Law Enforcement Center Joint Building Authority are as follows:

<u>Year</u>	<u>Law Enforcement Center</u>
2005	\$ 99,066
2006	104,083
2007	100,596
2008	105,050
2009	100,975
2010-2013	<u>420,187</u>
Total minimum lease payments	929,957
Less amounts representing interest	<u>126,163</u>
Present value of net minimum lease payments	<u>\$ 803,794</u>

The Law Enforcement Center acquired through capital lease had a value of \$1,471,224.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

IV. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Other than workers' compensation, risk of loss is primarily handled through the purchase of commercial insurance policies. Settlements have not exceeded insurance coverage in any of the past three years.

The County maintains a self-insurance fund for workers' compensation. The fund is reported as an Internal Service Fund and other fund types share the expense based on payroll dollars. An independent company administers the program, and provides claims review, safety inspections and processing. A workers' compensation reinsurance policy indemnifies the County up to \$1,000,000 for each loss in excess of the first \$300,000 and up to \$5,000,000 in the aggregate. Settled claims have not exceeded insurance coverage in any of the past three years. The claims liability of \$63,604 in the Workers Compensation Fund at December 31, 2004 is based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability is estimated by management based on historical experience. No annuity contracts have been purchased for the claims liability.

The changes in the workers' compensation claims liability for the years ended December 31, are as follows:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Claims liability, beginning of year	\$ 58,839	\$220,832
Claims and damages incurred	70,669	91,918
Claims payments	<u>(65,904)</u>	<u>(253,911)</u>
Claims liability, end of year	<u>\$ 63,604</u>	<u>\$ 58,839</u>

Effective January 1, 1992, the Road Commission component unit joined the Michigan County Road Commission Self-Insurance Pool (Pool). Coverage under the insurance pool includes, but is not limited to, general liability, automobile, property, stop loss protection, errors and omissions, trunkline liability and an umbrella policy. The amount the Road Commission pays annually is determined by the Administration of the Pool and is based on miles of roads, population and prior suit history of the Road Commission. In addition to premiums paid, the Road Commission is responsible for the first \$10,000 of legal expense incurred per occasion. All other risks are transferred to the pool.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Health Insurance

The self-insurance program for health insurance is accounted for in the Healthcare Fund (internal service fund) and the Retiree Healthcare Fund (an other employee benefit trust fund). An independent administrator (Blue Cross) is hired to process the daily claims. The County has a stop loss of \$30,000. There were no reductions of insurance coverage from the prior year. The County is also responsible for paying administrative charges and for actual prescription claims. The revenues for this Fund's operation are reimbursements from various funds and employee payroll withholdings. The liability of the end of the year is based on claims already incurred and reported and on estimates of incurred but not reported claims as provided by Blue Cross. No annuity contracts have been purchased to satisfy claim liabilities. Settled claims have not exceeded insurance coverage in any of the past three years.

The changes in the Health Insurance claims liability for the years ended December 31, are as follows:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Claims liability, beginning of year	\$ 462,069	\$ 317,815
Claims and damages incurred	3,550,417	3,408,331
Claims payments	<u>(3,432,281)</u>	<u>(3,264,077)</u>
Claims liability, end of year	<u>\$ 580,205</u>	<u>\$ 462,069</u>

B. Commitments and contingencies

Property Taxes

There are various court cases concerning certain collected taxes from the December 1997- 2004 levies being contested. In order to plan for the possibility of an unfavorable outcome of these appeals, the County has elected to set aside certain portions of taxes collected from these levies. These amounts are reported in the Tax Set Aside Special Revenue Fund in the financial statements.

Grant Programs

The County is the recipient of several Federal and State Grant programs. The expenditures for each program are subject to audit for technical compliance by an appropriate agency. In the event such audit procedures indicate that the County is not in compliance, the Federal or State government could require repayment of funds to the grantor(s). In the opinion of the County's management, such repayments, if any, are not likely to be material.

MIDLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Other

There are various legal actions which the County believes either will be favorably resolved or that it is too early to estimate any possible loss upon the outcome of such cases. In the opinion of the County's management, the ultimate effect of these matters on the County's financial statements will not be material.

C. Retirement systems

Description

The County maintains two separate single employer defined benefit pension plans, the Midland County Act 345 Retirement System for Sheriff's Department personnel and the Midland County Employees' Retirement System for substantially all other full-time employees. The single employer pension plans are maintained as Pension Trust Funds in the financial statements.

The Plans provide retirement, disability, and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the County. The County Board of Commissioners has the authority to establish and amend benefit provisions.

Separate audited financial reports that include financial statements and required supplementary six year trend information for these plans can be obtained from the finance office of Midland County, 220 W. Ellsworth St., Midland, Michigan 48640-5194.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Midland County Act 345 Retirement System and the Midland County Employees' Retirement System are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period they are due. The County's contributions to the Systems are recognized when due and they have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Systems.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Valuation of Investments

Marketable securities are stated at aggregate fair value. Securities which are traded on a national securities exchange are valued at the last reported sales price on the last business day of the System's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. The difference between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the Statement of Changes in Plan Net Assets as net appreciation or depreciation in the fair value of investments.

Administrative Expenses

The Systems are administered by Midland County. Administrative expenses, such as trustee and actuarial fees, are paid by the Systems. Fees for investment counseling are paid by the Systems.

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the Midland County Board of Commissioners. Plan members are required to contribute 6.27% of annual covered salary (12.3% for command offices) for Act 345 Retirement System participants, and 3% of annual covered salary for the Employees' Retirement System participants. The County is required to contribute at an actuarially determined rate.

Annual Pension Cost and Net Pension Obligation

For the year ended December 31, 2004, the County was not required to contribute to either the Act 345 System or the Employee Retirement System. The County did not make any contributions to the plans.

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the individual entry age actuarial cost method. Significant actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.0% per year compounded annually, (b) projected salary increases of 4.5-8.9% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 to 3.8% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Unfunded actuarial accrued liabilities are amortized as a level percent of payroll on an open basis with a remaining amortization period of 33 years for the Act 345 Retirement System and 40 years for the Employees Retirement System as of December 31, 2003, the date of the latest actuarial valuation. The actuarial value of assets is determined by adding contributions and regular investment income to valuation assets at the beginning of the year and reducing that amount by benefit payments and administrative expenses. This preliminary value is then adjusted by 20% of the fair value gains and losses for each of the last 5 years.

The following information is presented related to annual pension cost and net pension obligation:

Act 345 System

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2002	\$ -	- %	\$ -
12/31/2003	-	-	-
12/31/2004	-	-	-

Employee Retirement System

12/31/2002	\$ -	- %	\$ -
12/31/2003	-	-	-
12/31/2004	-	-	-

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Schedules of funding progress are as follows:

Actuarial Valuation Date (December 31)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess Assets (Liabilities)	Funded Ratio	Covered Payroll	Excess Assets (Liabilities) as a % of Covered Payroll
<i>Act 345 Retirement System</i>						
2001	\$23,946,278	\$17,199,214	\$6,747,064	139.2%	\$2,125,397	317.4%
2002	24,009,724	18,230,800	5,778,924	131.7	2,320,797	249
2003	23,753,515	19,430,425	4,323,090	122.2	2,574,805	167.9
<i>Employees Retirement System</i>						
2001	35,467,143	29,719,143	5,748,000	119.3	8,155,160	70.5
2002	36,166,398	34,810,309	1,356,089	103.9	8,546,034	15.9
2003	36,933,323	38,175,874	(1,242,551)	96.7	8,967,512	(13.9)

Retiree Health Care Plan

Midland County also sponsors a retiree health care plan (the "Plan"). The plan is a single employer defined benefit public retiree health care plan established effective May 5, 1992. The purpose of the plan is to provide medical and health care benefits for the welfare of certain retirees of the County and the spouses and dependents of such retirees who are participants in the Midland County Retirement System (excluding employees of Midland-Gladwin Community Mental Health Services) and ACT 345 Retirement System who elect to participate in the Plan. Benefits under the plan are provided pursuant to a group contract issued by Blue Cross Blue Shield of Michigan. The Plan is maintained as a Pension and Other Employee Benefit Trust Fund in the Midland County financial statements. The County Board of Commissioners has the authority to establish and amend benefit provisions

The Plan is a contributory defined benefit plan which covers substantially all employees of Midland County as defined above. At December 31, 2003, the date of the latest actuarial valuation, participants in the plan consisted of:

Retirement and beneficiaries currently receiving benefits	106
Active employees	<u>280</u>
Total	<u>386</u>

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Most members contribute amounts ranging from 1% to 1.5% of their annual compensation to the Plan. If an employee leaves covered employment, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary.

The employer's contributions are advance-funded on an actuarially determined basis. Although the County has contractual obligations to provide these other postemployment benefits (OPEBs) to certain of the employee groups outlined above, advance funding of the OPEBs are at the discretion of the County.

Contributions to the Plan for the year ended December 31, 2004 were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of December 31, 2002. The employer actual contributions were \$1,195,526, \$11,341 more than the actuarially determined contribution for 2004. Employee contributions for 2004 were \$136,535.

The benefit obligation represents the actuarial present value of those estimated future benefits that are attributed to employee service rendered to December 31. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and dependents (as defined by the Plan) and (2) active employees and their beneficiaries and dependents after retirement from service. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical insurance premium-cost data to estimate future annual premium costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The Plan's unfunded accrued liability was determined as part of an actuarial valuation of the Plan as of December 31, 2003. Significant actuarial assumptions used in determining the Plan's unfunded accrued liability included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 1.0% to 16.0% per year, depending on age, attributable to seniority/merit, and (d) health care cost increases of 9% in 2003 and scaling down by 1% every other year until it is 4.5% for 2010 and beyond.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Marketable securities are stated at aggregate fair value. Securities which are traded on a national securities exchange are valued at the last reported sales price on the last business day of the System's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price.

The Plan's unfunded accrued liability, which was determined by an actuary, is as follows at December 31, 2003:

Retirees and beneficiaries currently receiving benefits	\$11,182,931
Terminated employees not yet receiving benefits	2,275,987
Current employees:	
Value of expected future benefit payments	18,497,067
Less: Value of future normal costs	<u>(8,335,294)</u>
Total accrued liability	23,620,691
Fair value of plan assets	<u>(9,750,397)</u>
Unfunded accrued liability	<u>\$13,870,294</u>

The foregoing assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement accrued liability.

Road Commission Component Unit Pension Plan

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System (MERS), an agent multiple-employer plan administered by the State of Michigan. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (888) 478-1919.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Funding Policy

The Road Commission is required to contribute at an actuarially determined rate; the current rate is 7.94% for general employees and 15.1% for non-union supervisors of annual covered payroll. Road Commission employees are required to contribute 4.0% of their annual covered payroll. The contribution requirements of the Road Commission are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission.

Annual Pension Cost

For the year ended December 31, 2004, the Road Commission's annual pension cost of \$246,042 for MERS was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2002, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Road Commission's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2002, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2002	\$170,919	100%	\$ -
12/31/2003	183,422	100	-
12/31/2004	246,402	100	-

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio a/b	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2001	\$ 7,911,729	\$ 9,320,170	\$ 1,408,441	85%	\$ 1,244,943	113%
12/31/2002	7,848,899	9,991,886	2,142,987	79	1,253,267	125
12/31/2003	7,928,106	10,117,065	2,188,959	78	1,809,057	121

D. Midland pollution control bonds

The County has issued limited obligation bonds to finance the construction of pollution control facilities for The Dow Chemical Company ("Dow") and the Midland Cogeneration Venture ("MCV"). These bonds are secured by and payable solely from the revenue derived from the sale of the related facilities to Dow and MCV. The County has entered into installment sales agreements with Dow and MCV under which Dow and MCV are unconditionally obligated to pay all amounts due on the bonds.

Such bonds amounted to \$275,315,000 as of December 31, 2004. Because these bonds do not represent a general obligation of the County, nor a pledge of its Full Faith and credit, they have not been included in the County's debt as of December 31, 2004.

E. Property Taxes

The County property taxes are levied each December 1st on the taxable valuation of property located in the County as of the preceding December 31st, the lien date. Assessed values are established annually by the County Equalization Department and are equalized by the State of Michigan at 50% of current market value. Total real and personal property for the December 1, 2003 levy was assessed (taxable value) at \$3,411,856,131. Midland County's operating tax rate for the 2003 levy was 4.8955 mills with an additional 0.52 mills for ambulance service, 0.34 mills for mosquito abatement, 0.75 mills for service to senior citizens, 0.37 mills for 9-1-1, .15 mills for public transportation and 1.00 mill for the Road Commission. Taxes are due and receivable on the levy date and are collected through and become delinquent on March 1st of the following year. Taxes are reported as revenue and used for operations in the year subsequent to the levy date. See note III. E. also for information regarding a shift in the timing of the property tax levy.

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

By resolution of the Board of Commissioners, the County Treasurer purchases at face value the real property taxes receivable returned delinquent each March 1. Subsequent collections of these receivables were used to liquidate the amounts due the General Fund and various other funds and governmental agencies for purchase of the receivables and to provide funds for current operations.

F. Restatements

An adjustment was made in the General Fund to correct revenue recorded incorrectly in the General Fund in 2003 for penal fines collected. Thus, General Fund revenues were overstated and Penal Fine Fund Liabilities were understated by the amount of penal fines recorded in the General Fund. The adjustment had the following effect on the beginning fund balance:

Beginning fund balance, as previously reported	\$ 7,224,249
Adjustment for Penal Fines recorded as revenue	<u>(186,074)</u>
Beginning fund balance, as restated	<u>\$ 7,038,175</u>

For the Midland Township Water Bonds debt service fund, an adjustment was made to properly defer Midland Township's contribution for 2004 interest expenditures that was received in 2003. In 2003, the amount received was recognized as revenue. However, it appears that revenue received for debt service should be recognized when the debt service expenditure is incurred. These errors have been corrected and had the following effect on the beginning net assets:

Beginning fund balance, as previously reported	\$ 93,350
Adjustment for deferred revenue	<u>(91,020)</u>
Beginning fund balance, as restated	<u>\$ 2,330</u>

MIDLAND COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

For the Drain Commissioner component unit, an adjustment was made to record capital assets excluded in prior years. Also, an adjustment was made to record the Midland County Drain Commissioner's portion of the Davison Joint Drain note payable. These errors have been corrected and had the following effect on the beginning net assets.

Beginning net assets, as previously reported	\$ 1,471,548
Adjustment for Davison Joint Drain note payable	(5,600)
Adjustment for capital assets	460,162
Adjustment for accumulated depreciation	<u>(3,443)</u>
Beginning fund balance, as restated	<u>\$ 1,922,667</u>

For the Governmental Activities on the Statement of Net Assets for the year ended December 31, 2003, errors were made in accounting for capital assets, capital leases payable, and accrued interest payable. In addition, the governmental fund prior period adjustments also had an effect on beginning of the year net assets. These errors have been corrected and had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 51,834,439
Adjustment for capital lease payable	(37,965)
Adjustment for capital assets	(524,560)
Adjustment for accrued interest payable	(360,142)
Net effect of governmental fund corrections	<u>(277,094)</u>
Beginning net assets, as restated	<u>\$ 50,634,678</u>

* * * * *

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Emergency Medical Services - Established to record the operations of the ambulance service, funded by tax levy.

Friend of the Court - Authorized by Section 253 of Public Act 297 of 1982 to account for the activities of the Friend of the Court. Funded through County appropriations, State and Federal funds and service fees.

Dental Emergency - To account for funds used for dental emergencies of persons who have difficulty financing immediate dental needs. Funded through private contributions.

Mosquito Abatement - Established to account for funds raised by a special tax levy to operate the Mosquito Department.

Gypsy Moth Suppression - Established to account for funds raised by a special tax levy to operate the Gypsy Moth Department.

Huhtamaki CDBG - Established to account for funds raised by specific Community Development Block Grant Funds.

Community Corrections - To account for funds used in the formulation of a comprehensive Community Corrections Master Plan.

Act 511 Community Correction - Authorized by Public Act 511 to account for the activities of the Midland County Comprehensive Community Corrections Plan. Funded through State grants.

Rescue Equipment - To account for equipment initially donated to the Midland County Sheriff's Department for emergency rescue operations.

Register of Deeds Automation - To account for funding for upgrading the Register of Deeds operations.

Domestic Prepared Equipment - To account for funds received for emergency preparedness equipment.

Senior Citizen - Established to account for funds raised by a special tax levy to maintain and expand services to older citizens in Midland County.

(Continued)

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Drug Law Enforcement – To account for funds received for the Drug Law Enforcement Program.

911 Central Dispatch - To account for funds used for the operation of the 911 Central Dispatch System. Funded by a tax levy.

Sheriff's Training - To account for funds received in association with Michigan Public Act 302 of 1982 which created the Michigan Justice Training Fund. Funded by State grants.

Corrections Training - To account for funds received in association with training.

Law Library - Authorized by Section 600.4851 of the Compiled Laws of 1979 to account for the operations of the law library.

Next Generation Trial Court – To account for funds received for courthouse improvements.

Housing Revolving Administration - To account for funds designated to provide financial assistance to low and moderate income homeowners in meeting the minimum requirements of the 1978 basic housing code.

Housing Revolving - MSHDA - To account for funds designated to provide financial assistance to low and moderate income homeowners. Funded by grants through the Michigan Department of Commerce from 1986 - 1992.

Housing MSHDA 2000-2002 - To account for funds designated to provide home repair and ownership assistance to low and moderate income homeowners.

Housing MSHDA 2003-2004 - To account for funds designated to provide home repair and ownership assistance to low and moderate income homeowners.

Family Independence Agency - Authorized by Michigan Public Act 280 of 1939, as amended, to account for the operation of the County Family Independence Agency Department.

Infirmary - Authorized by the Department of Treasury and the Michigan Department of Social Services as a sub-fund of the Social Welfare Fund to record the operations of Pine Crest, the County Medical Care Facility.

Probate Court Child Care - Authorized by Michigan Public Act 87 of 1978 to account for funds designated for the foster care of children. Funded mainly by County appropriations and State grants.

(Continued)

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Soldiers Relief - Authorized by Section 35.21 of the Michigan Compiled Laws of 1979 to account for revenue designated for the care of indigent veterans.

Veterans Trust - Authorized by Section 35.607 of the Michigan Compiled Laws of 1979 to account for revenue used to aid veterans.

Child Care Welfare - To account for funds designated for the foster care of children by the Department of Social Services. Funded through State grants and General Fund appropriations.

Juvenile Care Center - To account for the operations of the County's Juvenile Care facility.

ETC Transportation – To account for funds raised by a special tax levy for County-wide public transportation.

DEBT SERVICE FUNDS:

Midland County Building Authority Debt Retirement - To account for the accumulation of funds for the payment of interest and principal on the Building Authority Bonds for the County Services Building, Courthouse Reconstruction and Mosquito Abatement Building.

Lincoln Township Water Bonds – To account for the accumulation of funds for the payment of interest and principal on the Lincoln Township Water Bonds.

Homer Township Water Bonds – To account for the accumulation of funds for the payment of interest and principal on the Homer Township Water Bonds.

Larkin Township Water Bonds – To account for the accumulation of funds for the payment of interest and principal on the Larkin Township Water Bonds.

Jerome Township Water Bonds – To account for the accumulation of funds for the payment of interest and principal on the Jerome Township Water Bonds.

Midland Township Water Bonds – To account for the accumulation of funds for the payment of interest and principal on the Midland Township Water Bonds.

Larkin Township Water Bonds II – To account for the accumulation of funds for the payment of interest and principal on the Larkin Township Water Bonds II.

(Continued)

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Homer Township Water Bonds 3 & 4 – To account for the accumulation of funds for the payment of interest and principal on the Homer Township Water Bonds.

Homer Township Water Bonds 6 & 7 – To account for the accumulation of funds for the payment of interest and principal on the Homer Township Water Bonds.

M-30 Water Project Bonds – To account for the accumulation of funds for the payment of interest and principal on the M-30 Water Bonds.

CAPITAL PROJECT FUNDS:

General Capital Improvements - Created to accumulate funds for large capital items in need of repair or replacement.

Capital Purchase – To account for purchases of capital assets for the General Fund.

Jail Construction – To set-aside funds for the construction of a new jail.

Courthouse Preservation - To account for funds accumulated for the preservation of the outside of the Midland County Courthouse.

Infirmery Construction- To account for funds used to construct the infirmery.

Juvenile Care Center - To account for funds used to construct a new juvenile care center. To be funded via a special voted millage.

Emergency Warning Equipment - To account for funds accumulated for the purchase of an emergency warning equipment.

Radio Equipment Maintenance – To account for funds accumulated for maintenance of the radio system in the Sheriff Department.

Radio System Equipment Replacement - To account for funds accumulated for the replacement of the radio system in the Sheriff Department.

Pere Marquette Rail Trail - To account for the financial activity for the development of the old railroad right-of-way from Midland to Clare.

Laur Park - To account for funds donated for the use of maintaining the new park.

Midland Township Water – To account for proceeds of a bond issue to be used for expansion of Midland Township water system.

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Homer Township Water Construction 3 & 4 – To account for the proceeds of a bond issue to be used for expansion of the Homer Township water system.

Homer Township Water Construction 6 & 7 – To account for the proceeds of a bond issue to be used for expansion of the Homer Township water system.

M-30 Water Project Construction – To account for the proceeds of a bond issue to be used for construction of the M-30 water system.

PERMANENT FUND:

Rail Trail Maintenance - To account for donations received whose income is to be used to maintain the Pere Marquette Rail Trail.

MIDLAND COUNTY
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	SPECIAL REVENUE FUNDS										
	Emergency Medical Services	Friend of The Court	Dental Emergency	Mosquito Abatement	Gypsy Moth Suppression	Huhtamaki CDBG	Community Corrections	Act 511 Community Corrections	Rescue Equipment	Register of Deeds Automation	
ASSETS											
Cash and investment pool	\$ 7,419	\$ 201,634	\$ 1,175	\$ 249,812	\$ 1,389,729	\$ -	\$ 75,022	\$ 23,165	\$ 7,329	\$ 153,630	
Receivables:											
Accounts	-	1,786	-	-	-	-	-	-	-	-	
Loans	-	-	-	-	-	-	-	-	-	-	
Current taxes	1,392,523	-	-	1,184,719	521,058	-	-	-	-	-	
Interest	-	99	-	1,393	1,572	-	-	-	-	81	
Due from other funds	-	-	-	-	-	-	-	-	-	-	
Due from other governments	-	146,976	-	-	-	-	-	-	-	-	
Prepaid expenditures	8,150	-	-	-	-	-	-	-	-	-	
TOTAL ASSETS	\$ 1,408,092	\$ 350,495	\$ 1,175	\$ 1,435,924	\$ 1,912,359	\$ -	\$ 75,022	\$ 23,165	\$ 7,329	\$ 153,711	
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts and contracts payable	\$ 7,419	\$ 7,134	\$ -	\$ 313	\$ -	\$ -	\$ -	\$ 363	\$ -	\$ -	
Accrued salaries and wages	-	92,371	-	25,340	-	-	-	1,715	-	-	
Deposits payable	-	-	-	371	-	-	-	-	-	-	
Due to other funds	8,150	114,202	-	-	-	-	-	-	-	-	
Due to other governments	-	-	-	-	-	-	-	-	-	-	
Advances from other funds	-	-	-	-	-	-	-	15,000	-	-	
Deferred revenue	1,392,523	-	-	1,184,719	521,058	-	-	-	-	-	
Total liabilities	1,408,092	213,707	-	1,210,743	521,058	-	-	17,078	-	-	
Fund balances:											
Reserved for:											
Encumbrances	-	229	-	-	-	-	-	31	-	-	
Debt service	-	-	-	-	-	-	-	-	-	-	
Permanent fund	-	-	-	-	-	-	-	-	-	-	
Unreserved:											
Designated for capital projects	-	-	-	-	-	-	-	-	-	-	
Undesignated	-	136,559	1,175	225,181	1,391,301	-	75,022	6,056	7,329	153,711	
Total fund balances	-	136,788	1,175	225,181	1,391,301	-	75,022	6,087	7,329	153,711	
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,408,092	\$ 350,495	\$ 1,175	\$ 1,435,924	\$ 1,912,359	\$ -	\$ 75,022	\$ 23,165	\$ 7,329	\$ 153,711	

(Continued)

MIDLAND COUNTY
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS (Continued)
DECEMBER 31, 2004

SPECIAL REVENUE FUNDS

	Domestic Prepaid Equipment	Senior Citizen	Drug Law Enforcement	9-1-1 Central Dispatch	Sheriff's Training	Corrections Training	Law Library	Next Gen. Trial Court	Housing Revolving Administration	Housing Revolving MSHDA
ASSETS										
Cash and investment pool	\$ -	\$ 11,061	\$ 113,623	\$ 2,517	\$ 16,366	\$ 26,191	\$ 18,946	\$ 39,865	\$ 15,050	\$ 101,108
Receivables:										
Accounts	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	250,519	1,153,881
Current taxes	-	2,613,292	-	1,607,726	-	-	-	-	-	-
Interest	-	-	61	-	-	-	-	-	-	16
Due from other funds	-	-	-	-	-	-	-	-	75,000	45,000
Due from other governments	69,600	-	-	-	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 69,600	\$ 2,624,353	\$ 113,684	\$ 1,610,243	\$ 16,366	\$ 26,191	\$ 18,946	\$ 39,865	\$ 340,569	\$ 1,300,005
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts and contracts payable	\$ 24	\$ 11,061	\$ -	\$ -	\$ -	\$ 125	\$ -	\$ -	\$ 91	\$ 41,267
Accrued salaries and wages	-	-	-	-	-	-	-	-	8,266	-
Deposits payable	-	-	-	-	-	-	-	-	-	-
Due to other funds	28,223	-	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-	-
Advances from other funds	40,000	-	-	-	-	-	-	-	-	-
Deferred revenue	-	2,613,292	-	1,607,726	-	-	-	-	250,548	1,153,971
Total liabilities	68,247	2,624,353	-	1,607,726	-	125	-	-	258,905	1,195,238
Fund balances:										
Reserved for:										
Encumbrances	1,353	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-	-
Unreserved:										
Designated for capital projects	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-	113,684	2,517	16,366	26,066	18,946	39,865	81,664	104,767
Total fund balances	1,353	-	113,684	2,517	16,366	26,066	18,946	39,865	81,664	104,767
TOTAL LIABILITIES AND FUND BALANCES	\$ 69,600	\$ 2,624,353	\$ 113,684	\$ 1,610,243	\$ 16,366	\$ 26,191	\$ 18,946	\$ 39,865	\$ 340,569	\$ 1,300,005

(Continued)

MIDLAND COUNTY
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS (Continued)
DECEMBER 31, 2004

SPECIAL REVENUE FUNDS

	Housing MSHDA 2000-2002	Housing MSHDA 2003-2004	Family Independence Agency	Infirmary	Probate Court Child Care	Soldiers Relief	Veterans Trust	Child Care Welfare	Juvenile Care Center	ETC Transportation
ASSETS										
Cash and investment pool	\$ -	\$ 1,013	\$ 150,608	\$ 51,047	\$ 99,258	\$ 3,844	\$ 1,186	\$ 101,507	\$ 255,060	\$ 4,963
Receivables:										
Accounts	-	-	-	70,415	-	-	-	-	37,238	-
Loans	-	167,769	-	-	-	-	-	-	-	-
Current taxes	-	-	-	-	-	-	-	-	-	522,658
Interest	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	19,583	191,932	-
Due from other governments	-	215,585	-	-	215,951	-	-	-	18,746	-
Prepaid expenditures	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 384,367	\$ 150,608	\$ 121,462	\$ 315,209	\$ 3,844	\$ 1,186	\$ 121,090	\$ 502,976	\$ 527,621
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts and contracts payable	\$ -	\$ 64,703	\$ -	\$ 12,672	\$ 46,687	\$ -	\$ 424	\$ -	\$ 18,258	\$ 4,963
Accrued salaries and wages	-	-	-	59,019	1,895	-	-	-	147,863	-
Deposits payable	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	120,000	-	17,546	216,465	-	-	-	51,672	-
Due to other governments	-	-	70,000	-	-	-	-	-	-	-
Advances from other funds	-	-	-	25,000	50,000	-	-	-	280,000	-
Deferred revenue	-	167,769	-	-	-	-	-	-	-	522,658
Total liabilities	-	352,472	70,000	114,237	315,047	-	424	-	497,793	527,621
Fund balances:										
Reserved for:										
Encumbrances	-	-	-	-	-	-	-	-	379	-
Debt service	-	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-	-
Unreserved:										
Designated for capital projects	-	-	-	-	-	-	-	-	-	-
Undesignated	-	31,895	80,608	7,225	162	3,844	762	121,090	4,804	-
Total fund balances	-	31,895	80,608	7,225	162	3,844	762	121,090	5,183	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 384,367	\$ 150,608	\$ 121,462	\$ 315,209	\$ 3,844	\$ 1,186	\$ 121,090	\$ 502,976	\$ 527,621

(Continued)

MIDLAND COUNTY
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS (Continued)
DECEMBER 31, 2004

	DEBT SERVICE FUNDS									
	Building Authority	Lincoln Township Water Bonds	Homer Township Water Bonds	Larkin Township Water Bonds	Jerome Township Water Bonds	Midland Township Water Bonds	Larkin Township Water Bonds II	Homer Township 3&4 Water Bonds	Homer Township 6&7 Water Bonds	M-30 Water Project
ASSETS										
Cash and investment pool	\$ 29,988	\$ 133	\$ 3,143	\$ 10,196	\$ 985	\$ 88,706	\$ 101,992	\$ 4,109	\$ 75	\$ 10,918
Receivables:										
Accounts	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Current taxes	-	-	-	-	-	-	-	-	-	-
Interest	225	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	105,000	3,495,000	380,000	960,000	3,215,000	3,775,000	2,935,000	2,660,000	420,000
Prepaid expenditures	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 30,213	\$ 105,133	\$ 3,498,143	\$ 390,196	\$ 960,985	\$ 3,303,706	\$ 3,876,992	\$ 2,939,109	\$ 2,660,075	\$ 430,918
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and wages	-	-	-	-	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	105,000	3,495,000	380,000	960,000	3,301,120	3,775,000	2,935,000	2,660,000	420,000
Total liabilities	-	105,000	3,495,000	380,000	960,000	3,301,120	3,775,000	2,935,000	2,660,000	420,000
Fund balances:										
Reserved for:										
Encumbrances	-	-	-	-	-	-	-	-	-	-
Debt service	30,213	133	3,143	10,196	985	2,586	101,992	4,109	75	10,918
Permanent fund	-	-	-	-	-	-	-	-	-	-
Unreserved:										
Designated for capital projects	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	-	-	-	-
Total fund balances	30,213	133	3,143	10,196	985	2,586	101,992	4,109	75	10,918
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,213	\$ 105,133	\$ 3,498,143	\$ 390,196	\$ 960,985	\$ 3,303,706	\$ 3,876,992	\$ 2,939,109	\$ 2,660,075	\$ 430,918

(Continued)

MIDLAND COUNTY
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS (Continued)
DECEMBER 31, 2004

	CAPITAL PROJECT FUNDS									
	General Capital Improvements	Capital Purchase	Jail Construction	Courthouse Preservation	Infirmiry Construction	Juvenile Care Center	Emergency Warning Equipment	Radio Equipment Maintenance	Radio System Equipment Replacement	
ASSETS										
Cash and investment pool	\$ 408,183	\$ 1,028,421	\$ 1,503,163	\$ 222,982	\$ -	\$ 144,696	\$ 78,594	\$ 86,724	\$ 820,628	
Receivables:										
Accounts	-	-	-	-	-	-	-	-	-	
Loans	-	-	-	-	-	-	-	-	-	
Current taxes	-	-	-	-	-	-	-	-	-	
Interest	186	-	5,853	107	-	-	-	65	2,090	
Due from other funds	-	-	-	-	-	-	-	-	-	
Due from other governments	-	-	-	-	-	-	-	-	-	
Prepaid expenditures	-	-	-	-	-	-	-	-	-	
TOTAL ASSETS	\$ 408,369	\$ 1,028,421	\$ 1,509,016	\$ 223,089	\$ -	\$ 144,696	\$ 78,594	\$ 86,789	\$ 822,718	
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts and contracts payable	\$ -	\$ 20,897	\$ -	\$ 17,243	\$ -	\$ 14,028	\$ -	\$ 844	\$ -	
Accrued salaries and wages	-	-	-	-	-	-	-	-	-	
Deposits payable	-	-	-	-	-	-	-	-	-	
Due to other funds	-	-	-	-	-	-	-	-	-	
Due to other governments	-	-	-	-	-	-	-	-	-	
Advances from other funds	-	-	-	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	-	-	-	
Total liabilities	-	20,897	-	17,243	-	14,028	-	844	-	
Fund balances:										
Reserved for:										
Encumbrances	3,561	100,000	-	3,512	-	8,792	-	800	-	
Debt service	-	-	-	-	-	-	-	-	-	
Permanent fund	-	-	-	-	-	-	-	-	-	
Unreserved:										
Designated for capital projects	404,808	907,524	1,509,016	202,334	-	121,876	78,594	85,145	822,718	
Undesignated	-	-	-	-	-	-	-	-	-	
Total fund balances	408,369	1,007,524	1,509,016	205,846	-	130,668	78,594	85,945	822,718	
TOTAL LIABILITIES AND FUND BALANCES	\$ 408,369	\$ 1,028,421	\$ 1,509,016	\$ 223,089	\$ -	\$ 144,696	\$ 78,594	\$ 86,789	\$ 822,718	

(Continued)

MIDLAND COUNTY
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS (Concluded)
DECEMBER 31, 2004

	CAPITAL PROJECT FUNDS						PERMANENT FUND	Total
	Pere Marquette Rail Trail	Laur Park	Midland Township Water	Homer Township 3&4 Water Construction	Homer Township 6&7 Water Construction	M-30 Water Project Construction	Rail Trail Maintenance	Nonmajor Governmental Funds
ASSETS								
Cash and investment pool	\$ 272,214	\$ 5,361	\$ -	\$ 200,419	\$ 348,543	\$ 28,585	\$ 500,000	\$ 9,020,886
Receivables:								
Accounts	-	-	-	-	-	-	-	109,439
Loans	-	-	-	-	-	-	-	1,572,169
Current taxes	-	-	-	-	-	-	-	7,841,976
Interest	-	1	-	-	-	-	2,200	13,949
Due from other funds	-	-	-	-	-	-	-	331,515
Due from other governments	-	-	-	-	-	-	-	18,611,858
Prepaid expenditures	-	-	-	-	-	-	-	8,150
TOTAL ASSETS	\$ 272,214	\$ 5,362	\$ -	\$ 200,419	\$ 348,543	\$ 28,585	\$ 502,200	\$ 37,509,942
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,516
Accrued salaries and wages	-	-	-	-	-	-	-	336,469
Deposits payable	-	-	-	-	-	-	-	371
Due to other funds	-	-	-	-	-	-	2,200	558,458
Due to other governments	-	-	-	-	-	-	-	70,000
Advances from other funds	-	-	-	-	-	-	-	410,000
Deferred revenue	-	-	-	-	-	-	-	27,445,384
Total liabilities	-	-	-	-	-	-	2,200	29,089,198
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	-	-	-	118,657
Debt service	-	-	-	-	-	-	-	164,350
Permanent fund	-	-	-	-	-	-	500,000	500,000
Unreserved:								
Designated for capital projects	272,214	5,362	-	200,419	348,543	28,585	-	4,987,138
Undesignated	-	-	-	-	-	-	-	2,650,599
Total fund balances	272,214	5,362	-	200,419	348,543	28,585	500,000	8,420,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 272,214	\$ 5,362	\$ -	\$ 200,419	\$ 348,543	\$ 28,585	\$ 502,200	\$ 37,509,942

MIDLAND COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	SPECIAL REVENUE FUNDS									
	Emergency Medical Services	Friend of The Court	Dental Emergency	Mosquito Abatement	Gypsy Moth Suppression	Huhtamaki CDBG	Community Corrections	Act 511 Community Corrections	Rescue Equipment	Register of Deeds Automation
REVENUES										
Taxes	\$ 1,757,485	\$ -	\$ -	\$ 1,149,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	699,324	-	-	-	111,891	-	175,150	-	-
Charges for services	-	13,098	-	-	-	-	-	280	-	107,285
Interest earnings	5,714	2,954	-	7,762	21,625	-	-	208	-	1,746
Miscellaneous revenue	-	-	-	-	-	-	-	19,948	-	-
Contributions from local units	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,763,199	715,376	-	1,156,807	21,625	111,891	-	195,586	-	109,031
EXPENDITURES										
Current operations:										
General	-	-	-	-	-	-	-	-	-	189
Judicial	-	1,156,432	-	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-	-	-	-
Health and welfare	1,503,591	-	-	991,377	456,669	113,518	-	-	-	-
Planning and development	-	-	-	-	-	-	-	282,565	-	-
Other agencies	-	-	-	-	-	-	-	-	-	-
Debt service:										
Payment of debt principal	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	7,852	-	3,380	-	-	-	-	-	51,956
TOTAL EXPENDITURES	1,503,591	1,164,284	-	994,757	456,669	113,518	-	282,565	-	52,145
REVENUES OVER (UNDER) EXPENDITURES	259,608	(448,908)	-	162,050	(435,044)	(1,627)	-	(86,979)	-	56,886
Other financing sources (uses):										
Bond proceeds	-	-	-	-	-	-	-	-	-	-
Transfers in	-	413,767	-	-	-	-	-	65,956	-	-
Transfers out	(259,608)	-	-	(223,817)	-	-	-	-	-	-
Total other financing sources (uses)	(259,608)	413,767	-	(223,817)	-	-	-	65,956	-	-
NET CHANGE IN FUND BALANCES	-	(35,141)	-	(61,767)	(435,044)	(1,627)	-	(21,023)	-	56,886
Fund balances at beginning of year, as restated	-	171,929	1,175	286,948	1,826,345	1,627	75,022	27,110	7,329	96,825
FUND BALANCES, AT END OF YEAR	\$ -	\$ 136,788	\$ 1,175	\$ 225,181	\$ 1,391,301	\$ -	\$ 75,022	\$ 6,087	\$ 7,329	\$ 153,711

(Continued)

MIDLAND COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

SPECIAL REVENUE FUNDS

	Domestic Prepaid Equipment	Senior Citizen	Drug Law Enforcement	9-1-1 Central Dispatch	Sheriff's Training	Correction's Training	Law Library	Next Gen. Trial Court	Housing Revolving Administration	Housing Revolving MSHDA
REVENUES										
Taxes	\$ -	\$ 2,565,274	\$ -	\$ 1,258,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	182,192	-	-	140,205	9,028	-	-	-	-	-
Charges for services	-	-	-	-	-	24,500	6,500	-	-	-
Interest earnings	-	8,293	1,578	-	-	-	-	-	682	721
Miscellaneous revenue	-	-	-	-	-	-	-	-	19,232	112,553
Contributions from local units	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	182,192	2,573,567	1,578	1,398,562	9,028	24,500	6,500	-	19,914	113,274
EXPENDITURES										
Current operations:										
General	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	19,793	-	-	-
Law enforcement	40,737	-	-	-	9,559	8,075	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	115,989	118,988
Planning and development	-	-	-	-	-	-	-	-	-	-
Other agencies	-	2,240,132	-	1,396,045	-	-	-	-	-	-
Debt service:										
Payment of debt principal	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-	-
Capital outlay	142,294	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	183,031	2,240,132	-	1,396,045	9,559	8,075	19,793	-	115,989	118,988
REVENUES OVER (UNDER) EXPENDITURES	(839)	333,435	1,578	2,517	(531)	16,425	(13,293)	-	(96,075)	(5,714)
Other financing sources (uses):										
Bond proceeds	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	23,500	-	23,997	109,038
Transfers out	-	(333,435)	-	-	-	-	-	-	-	(21,632)
Total other financing sources (uses)	-	(333,435)	-	-	-	-	23,500	-	23,997	87,406
NET CHANGE IN FUND BALANCES	(839)	-	1,578	2,517	(531)	16,425	10,207	-	(72,078)	81,692
Fund balances at beginning of year, as restated	2,192	-	112,106	-	16,897	9,641	8,739	39,865	153,742	23,075
FUND BALANCES, AT END OF YEAR	\$ 1,353	\$ -	\$ 113,684	\$ 2,517	\$ 16,366	\$ 26,066	\$ 18,946	\$ 39,865	\$ 81,664	\$ 104,767

(Continued)

MIDLAND COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

SPECIAL REVENUE FUNDS

	Housing MSHDA 2000-2002	Housing MSHDA 2003-2004	Family Independence Agency	Infirmary	Probate Court Child Care	Soldiers Relief	Veterans Trust	Child Care Welfare	Juvenile Care Center	ETC Transportation
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 513,539
Intergovernmental revenue	-	225,580	276,459	90,221	365,831	-	9,261	119,384	976,037	1,155,767
Charges for services	-	-	-	551,282	34,516	-	-	-	345,584	-
Interest earnings	1,130	185	-	-	-	38	10	-	-	1,640
Miscellaneous revenue	1,476	763	-	20,911	25,896	-	-	-	-	-
Contributions from local units	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	2,606	226,528	276,459	662,414	426,243	38	9,271	119,384	1,321,621	1,670,946
EXPENDITURES										
Current operations:										
General	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	193,522	299,147	1,093,080	1,152,539	-	9,413	241,616	2,196,559	-
Planning and development	-	-	-	-	-	-	-	-	-	-
Other agencies	-	-	-	-	-	-	-	-	-	1,596,059
Debt service:										
Payment of debt principal	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	7,430	-	-	-	-	5,532	-
TOTAL EXPENDITURES	-	193,522	299,147	1,100,510	1,152,539	-	9,413	241,616	2,202,091	1,596,059
REVENUES OVER (UNDER) EXPENDITURES	2,606	33,006	(22,688)	(438,096)	(726,296)	38	(142)	(122,232)	(880,470)	74,887
Other financing sources (uses):										
Bond proceeds	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	50,938	402,938	726,359	200	-	232,500	736,812	-
Transfers out	(110,212)	(1,191)	-	-	-	-	-	-	-	(74,887)
Total other financing sources (uses)	(110,212)	(1,191)	50,938	402,938	726,359	200	-	232,500	736,812	(74,887)
NET CHANGE IN FUND BALANCES	(107,606)	31,815	28,250	(35,158)	63	238	(142)	110,268	(143,658)	-
Fund balances at beginning of year, as restated	107,606	80	52,358	42,383	99	3,606	904	10,822	148,841	-
FUND BALANCES, AT END OF YEAR	\$ -	\$ 31,895	\$ 80,608	\$ 7,225	\$ 162	\$ 3,844	\$ 762	\$ 121,090	\$ 5,183	\$ -

(Continued)

MIDLAND COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

	DEBT SERVICE FUNDS									
	Building Authority	Lincoln Township Water Bonds	Homer Township Water Bonds	Larkin Township Water Bonds	Jerome Township Water Bonds	Midland Township Water Bonds	Larkin Township Water Bonds II	Homer Township 3&4 Water Bonds	Homer Township 6&7 Water Bonds	M-30 Water Project
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Interest earnings	110	11	338	75	84	256	431	124	235	76
Miscellaneous revenue	-	-	-	-	-	-	-	-	-	-
Contributions from local units	-	21,263	423,376	60,313	73,871	322,390	360,438	137,965	-	-
TOTAL REVENUES	110	21,274	423,714	60,388	73,955	322,646	360,869	138,089	235	76
EXPENDITURES										
Current operations:										
General	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-	-	-
Other agencies	-	-	-	-	-	-	-	-	-	-
Debt service:										
Payment of debt principal	605,000	15,000	240,000	40,000	50,000	140,000	155,000	20,000	-	-
Interest charges	71,448	6,263	183,376	21,233	47,393	182,390	210,863	117,965	75,604	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	676,448	21,263	423,376	61,233	97,393	322,390	365,863	137,965	75,604	-
REVENUES OVER (UNDER) EXPENDITURES	(676,338)	11	338	(845)	(23,438)	256	(4,994)	124	(75,369)	76
Other financing sources (uses):										
Bond proceeds	-	-	-	-	-	-	-	-	-	10,842
Transfers in	676,448	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	676,448	-	-	-	-	-	-	-	-	10,842
NET CHANGE IN FUND BALANCES	110	11	338	(845)	(23,438)	256	(4,994)	124	(75,369)	10,918
Fund balances at beginning of year, as restated	30,103	122	2,805	11,041	24,423	2,330	106,986	3,985	75,444	-
FUND BALANCES, AT END OF YEAR	\$ 30,213	\$ 133	\$ 3,143	\$ 10,196	\$ 985	\$ 2,586	\$ 101,992	\$ 4,109	\$ 75	\$ 10,918

(Continued)

MIDLAND COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

	CAPITAL PROJECT FUNDS								
	General Capital Improvements	Capital Purchase	Jail Construction	Courthouse Preservation	Infirmiry Construction	Juvenile Care Center	Emergency Warning Equipment	Radio Equipment Maintenance	Radio System Equipment Replacement
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	-	-	-	-	-
Charges for services	10,000	-	-	146,450	-	-	-	-	-
Interest earnings	5,831	1,503	29,159	2,359	-	-	828	1,392	15,363
Miscellaneous revenue	-	22,919	-	-	-	3	-	581	-
Contributions from local units	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	15,831	24,422	29,159	148,809	-	3	828	1,973	15,363
EXPENDITURES									
Current operations:									
General	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	50,538	-	-	-	-	-
Law enforcement	-	-	13,665	-	-	-	7,680	40,832	-
Health and welfare	-	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-	-
Other agencies	-	-	-	-	-	-	-	-	-
Debt service:									
Payment of debt principal	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-
Capital outlay	34,893	193,007	-	-	-	14,028	-	-	-
TOTAL EXPENDITURES	34,893	193,007	13,665	50,538	-	14,028	7,680	40,832	-
REVENUES OVER (UNDER) EXPENDITURES	(19,062)	(168,585)	15,494	98,271	-	(14,025)	(6,852)	(38,859)	15,363
Other financing sources (uses):									
Bond proceeds	-	-	-	-	-	-	-	-	-
Transfers in	118,055	655,979	-	-	-	-	-	20,000	-
Transfers out	(15,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	103,055	655,979	-	-	-	-	-	20,000	-
NET CHANGE IN FUND BALANCES	83,993	487,394	15,494	98,271	-	(14,025)	(6,852)	(18,859)	15,363
Fund balances at beginning of year, as restated	324,376	520,130	1,493,522	107,575	-	144,693	85,446	104,804	807,355
FUND BALANCES, AT END OF YEAR	\$ 408,369	\$1,007,524	\$ 1,509,016	\$ 205,846	\$ -	\$ 130,668	\$ 78,594	\$ 85,945	\$ 822,718

(Continued)

MIDLAND COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2004

	CAPITAL PROJECT FUNDS						PERMANENT FUND	Total
	Pere Marquette Rail Trail	Laur Park	Midland Township Water	Homer Township 3&4 Water Construction	Homer Township 6&7 Water Construction	M-30 Water Project Construction	Rail Trail Maintenance	Nonmajor Governmental Funds
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,243,700
Intergovernmental revenue	-	-	-	-	-	274,750	-	4,811,080
Charges for services	-	-	-	-	-	-	-	1,239,495
Interest earnings	-	75	-	2,041	9,507	2,243	8,063	134,390
Miscellaneous revenue	221,000	-	-	-	-	-	-	445,282
Contributions from local units	-	-	-	-	-	188,410	-	1,588,026
TOTAL REVENUES	221,000	75	-	2,041	9,507	465,403	8,063	15,461,973
EXPENDITURES								
Current operations:								
General	-	-	-	-	-	-	-	189
Judicial	-	-	-	-	-	-	-	1,226,763
Law enforcement	-	-	-	-	-	-	-	120,548
Health and welfare	-	-	-	-	-	-	-	8,486,008
Planning and development	-	-	-	-	-	-	-	282,565
Other agencies	-	-	-	-	-	-	-	5,232,236
Debt service:								
Payment of debt principal	-	-	-	-	-	-	-	1,265,000
Interest charges	-	-	-	-	-	-	-	916,535
Capital outlay	8,784	-	-	6,444	1,622,326	845,976	-	2,943,902
TOTAL EXPENDITURES	8,784	-	-	6,444	1,622,326	845,976	-	20,473,746
REVENUES OVER (UNDER) EXPENDITURES	212,216	75	-	(4,403)	(1,612,819)	(380,573)	8,063	(5,011,773)
Other financing sources (uses):								
Bond proceeds	-	-	-	-	-	409,158	-	420,000
Transfers in	40,000	-	-	-	-	-	-	4,296,487
Transfers out	-	-	-	-	-	-	(8,063)	(1,047,845)
Total other financing sources (uses)	40,000	-	-	-	-	409,158	(8,063)	3,668,642
NET CHANGE IN FUND BALANCES	252,216	75	-	(4,403)	(1,612,819)	28,585	-	(1,343,131)
Fund balances at beginning of year, as restated	19,998	5,287	-	204,822	1,961,362	-	500,000	9,763,875
FUND BALANCES, AT END OF YEAR	\$ 272,214	\$ 5,362	\$ -	\$ 200,419	\$ 348,543	\$ 28,585	\$ 500,000	\$ 8,420,744

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Emergency Medical Services			Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ 1,770,433	\$ 1,770,433	\$ 1,757,485	\$ (12,948)
Interest earnings	5,000	5,000	5,714	714
Total revenues	1,775,433	1,775,433	1,763,199	(12,234)
Expenditures				
Current:				
Health and welfare	1,515,825	1,515,825	1,503,591	12,234
Revenues over (under) expenditures	259,608	259,608	259,608	-
Other Financing Sources (Uses)				
Transfers out	(259,608)	(259,608)	(259,608)	-
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Friend of the Court			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 686,356	\$ 686,356	\$ 699,324	\$ 12,968
Charges for services	20,984	20,984	13,098	(7,886)
Interest earnings	-	-	2,954	2,954
Total revenues	707,340	707,340	715,376	8,036
Expenditures				
Current:				
Judicial	1,141,770	1,152,770	1,156,432	(3,662)
Capital outlay	4,337	8,337	7,852	485
Total expenditures	1,146,107	1,161,107	1,164,284	(3,177)
Revenues over (under) expenditures	(438,767)	(453,767)	(448,908)	4,859
Other Financing Sources (Uses)				
Transfers in	413,767	413,767	413,767	-
Net change in fund balances	(25,000)	(40,000)	(35,141)	4,859
Fund balance, beginning of year	171,929	171,929	171,929	-
Fund balance, end of year	\$ 146,929	\$ 131,929	\$ 136,788	\$ 4,859

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Mosquito Abatement			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 1,158,431	\$ 1,158,431	\$ 1,149,045	\$ (9,386)
Interest earnings	10,000	10,000	7,762	(2,238)
Total revenues	1,168,431	1,168,431	1,156,807	(11,624)
Expenditures				
Current:				
Health and welfare	1,024,118	1,022,128	991,377	30,751
Capital outlay	3,400	3,400	3,380	20
Total expenditures	1,027,518	1,025,528	994,757	30,771
Revenues over (under) expenditures	140,913	142,903	162,050	19,147
Other Financing Sources (Uses)				
Transfers out	(220,968)	(223,825)	(223,817)	8
Net change in fund balances	(80,055)	(80,922)	(61,767)	19,155
Fund balance, beginning of year	286,948	286,948	286,948	-
Fund balance, end of year	\$ 206,893	\$ 206,026	\$ 225,181	\$ 19,155

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Gypsy Moth Suppression			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Interest earnings	\$ 12,000	\$ 12,000	\$ 21,625	\$ 9,625
Expenditures				
Current:				
Health and welfare	836,750	836,750	456,669	380,081
Net change in fund balances	(824,750)	(824,750)	(435,044)	389,706
Fund balance, beginning of year	1,826,345	1,826,345	1,826,345	-
Fund balance, end of year	\$ 1,001,595	\$ 1,001,595	\$ 1,391,301	\$ 389,706

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Huhtamaki CDBG			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ -	\$ 116,000	\$ 111,891	\$ (4,109)
Expenditures				
Current:				
Health and welfare	-	116,000	113,518	2,482
Net change in fund balances	-	-	(1,627)	(1,627)
Fund balance, beginning of year	1,627	1,627	1,627	-
Fund balance, end of year	\$ 1,627	\$ 1,627	\$ -	\$ (1,627)

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Community Corrections			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
Planning and development	10,000	10,000	-	10,000
Net change in fund balances	(10,000)	(10,000)	-	10,000
Fund balance, beginning of year	75,022	75,022	75,022	-
Fund balance, end of year	\$ 65,022	\$ 65,022	\$ 75,022	\$ 10,000

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Act 511 Community Corrections			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 242,360	\$ 297,077	\$ 175,150	\$ (121,927)
Charges for services	1,200	1,200	280	(920)
Interest earnings	70	70	208	138
Miscellaneous revenue	21,256	21,256	19,948	(1,308)
Total revenues	264,886	319,603	195,586	(124,017)
Expenditures				
Current:				
Planning and development	330,842	385,559	282,565	102,994
Revenues over (under) expenditures	(65,956)	(65,956)	(86,979)	(21,023)
Other Financing Sources (Uses)				
Transfers in	65,956	65,956	65,956	-
Net change in fund balances	-	-	(21,023)	(21,023)
Fund balance, beginning of year	27,110	27,110	27,110	-
Fund balance, end of year	\$ 27,110	\$ 27,110	\$ 6,087	\$ (21,023)

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Rescue Equipment			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
Law enforcement	1,000	1,000	-	1,000
Net change in fund balances	(1,000)	(1,000)	-	1,000
Fund balance, beginning of year	7,329	7,329	7,329	-
Fund balance, end of year	\$ 6,329	\$ 6,329	\$ 7,329	\$ 1,000

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Register of Deeds Automation			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for services	\$ 55,000	\$ 55,000	\$ 107,285	\$ 52,285
Interest earnings	-	-	1,746	1,746
Total revenues	55,000	55,000	109,031	54,031
Expenditures				
Current:				
General	7,000	7,000	189	6,811
Capital outlay	48,000	64,025	51,956	12,069
Total expenditures	55,000	71,025	52,145	18,880
Net change in fund balances	-	(16,025)	56,886	72,911
Fund balance, beginning of year	96,825	96,825	96,825	-
Fund balance, end of year	\$ 96,825	\$ 80,800	\$ 153,711	\$ 72,911

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Domestic Prepaid Equipment			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 75,000	\$ 200,714	\$ 182,192	\$ (18,522)
Expenditures				
Current:				
Law enforcement	-	43,039	40,737	2,302
Capital outlay	75,000	162,057	142,294	19,763
Total expenditures	75,000	205,096	183,031	22,065
Net change in fund balances	-	(4,382)	(839)	3,543
Fund balance, beginning of year	2,192	2,192	2,192	-
Fund balance (deficit), end of year	\$ 2,192	\$ (2,190)	\$ 1,353	\$ 3,543

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Senior Citizen			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 2,550,892	\$ 2,575,892	\$ 2,565,274	\$ (10,618)
Interest earnings	5,000	5,000	8,293	3,293
Total revenues	2,555,892	2,580,892	2,573,567	(7,325)
Expenditures				
Current:				
Other agencies	2,222,457	2,247,457	2,240,132	7,325
Revenues over (under) expenditures	333,435	333,435	333,435	-
Other Financing Sources (Uses)				
Transfers out	(333,435)	(333,435)	(333,435)	-
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Drug Law Enforcement			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for services	\$ 500	\$ 500	\$ -	\$ (500)
Interest earnings	-	-	1,578	1,578
Total revenues	500	500	1,578	1,078
Expenditures	-	-	-	-
Net change in fund balances	500	500	1,578	1,078
Fund balance, beginning of year	112,106	112,106	112,106	-
Fund balance, end of year	\$ 112,606	\$ 112,606	\$ 113,684	\$ 1,078

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	9-1-1 Central Dispatch			Variance
	Original Budget	Amended Budget	Actual	Positive (Negative)
Revenues				
Taxes	\$ 1,265,387	\$ 1,265,387	\$ 1,258,357	\$ (7,030)
Intergovernmental revenue	144,804	144,804	140,205	(4,599)
Total revenues	1,410,191	1,410,191	1,398,562	(11,629)
Expenditures				
Current:				
Other agencies	1,410,191	1,410,191	1,396,045	14,146
Net change in fund balances	-	-	2,517	2,517
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 2,517	\$ 2,517

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Sheriff's Training			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 8,421	\$ 8,421	\$ 9,028	\$ 607
Expenditures				
Current:				
Law enforcement	8,421	11,421	9,559	1,862
Net change in fund balances	-	(3,000)	(531)	2,469
Fund balance, beginning of year	16,897	16,897	16,897	-
Fund balance, end of year	\$ 16,897	\$ 13,897	\$ 16,366	\$ 2,469

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Correction's Training			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for services	\$ -	\$ 11,000	\$ 24,500	\$ 13,500
Expenditures				
Current:				
Law enforcement	-	11,000	8,075	2,925
Net change in fund balances	-	-	16,425	16,425
Fund balance, beginning of year	9,641	9,641	9,641	-
Fund balance, end of year	\$ 9,641	\$ 9,641	\$ 26,066	\$ 16,425

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Law Library			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for services	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Expenditures				
Current:				
Judicial	30,000	30,000	19,793	10,207
Revenues over (under) expenditures	(23,500)	(23,500)	(13,293)	10,207
Other Financing Sources (Uses)				
Transfers in	23,500	23,500	23,500	-
Net change in fund balances	-	-	10,207	10,207
Fund balance, beginning of year	8,739	8,739	8,739	-
Fund balance, end of year	\$ 8,739	\$ 8,739	\$ 18,946	\$ 10,207

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Next Generation Trial Court			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
Judicial	10,000	10,000	-	10,000
Net change in fund balances	(10,000)	(10,000)	-	10,000
Fund balance, beginning of year	39,865	39,865	39,865	-
Fund balance, end of year	\$ 29,865	\$ 29,865	\$ 39,865	\$ 10,000

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Housing Revolving Administration			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Interest earnings	\$ 4,000	\$ 4,000	\$ 682	\$ (3,318)
Miscellaneous revenue	62,000	62,000	19,232	(42,768)
Total revenues	66,000	66,000	19,914	(46,086)
Expenditures				
Current:				
Health and welfare	120,603	120,603	115,989	4,614
Revenues over (under) expenditures	(54,603)	(54,603)	(96,075)	(41,472)
Other Financing Sources (Uses)				
Transfers in	20,000	20,000	23,997	3,997
Net change in fund balances	(34,603)	(34,603)	(72,078)	(37,475)
Fund balance, beginning of year	153,742	153,742	153,742	-
Fund balance, end of year	\$ 119,139	\$ 119,139	\$ 81,664	\$ (37,475)

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Housing Revolving MSHDA			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Interest earnings	\$ 1,500	\$ 1,500	\$ 721	\$ (779)
Miscellaneous revenue	77,000	107,000	112,553	5,553
Total revenues	78,500	108,500	113,274	4,774
Expenditures				
Current:				
Health and welfare	65,000	163,000	118,988	44,012
Revenues over (under) expenditures	13,500	(54,500)	(5,714)	48,786
Other Financing Sources (Uses)				
Transfers in	-	-	109,038	109,038
Transfers out	(20,000)	(22,000)	(21,632)	368
Total other financing sources (uses)	(20,000)	(22,000)	87,406	109,406
Net change in fund balances	(6,500)	(76,500)	81,692	158,192
Fund balance, beginning of year	23,075	23,075	23,075	-
Fund balance (deficit), end of year	\$ 16,575	\$ (53,425)	\$ 104,767	\$ 158,192

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Housing MSHDA 2000-2002			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Interest earnings	\$ -	\$ -	\$ 1,130	\$ 1,130
Miscellaneous revenue	-	2,500	1,476	(1,024)
Total revenues	-	2,500	2,606	106
Expenditures				
Current:				
Health and welfare	-	-	-	-
Revenues over (under) expenditures	-	2,500	2,606	106
Other Financing Sources (Uses)				
Transfers out	-	(2,500)	(110,212)	(107,712)
Net change in fund balances	-	-	(107,606)	(107,606)
Fund balance, beginning of year	107,606	107,606	107,606	-
Fund balance, end of year	\$ 107,606	\$ 107,606	\$ -	\$ (107,606)

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Housing MSHDA 2003-2004			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 200,000	\$ 200,000	\$ 225,580	\$ 25,580
Interest earnings	200	200	185	(15)
Miscellaneous revenue	1,000	1,000	763	(237)
Total revenues	201,200	201,200	226,528	25,328
Expenditures				
Current:				
Health and welfare	176,200	196,300	193,522	2,778
Revenues over (under) expenditures	25,000	4,900	33,006	28,106
Other Financing Sources (Uses)				
Transfers out	(25,000)	(4,900)	(1,191)	3,709
Net change in fund balances	-	-	31,815	31,815
Fund balance, beginning of year	80	80	80	-
Fund balance, end of year	\$ 80	\$ 80	\$ 31,895	\$ 31,815

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Family Independence Agency			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 400,000	\$ 400,000	\$ 276,459	\$ (123,541)
Expenditures				
Current:				
Health and welfare	450,938	450,938	299,147	151,791
Revenues over (under) expenditures	(50,938)	(50,938)	(22,688)	28,250
Other Financing Sources (Uses)				
Transfers in	50,938	50,938	50,938	-
Net change in fund balances	-	-	28,250	28,250
Fund balance, beginning of year	52,358	52,358	52,358	-
Fund balance, end of year	\$ 52,358	\$ 52,358	\$ 80,608	\$ 28,250

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Infirmery			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 102,000	\$ 102,000	\$ 90,221	\$ (11,779)
Charges for services	560,000	568,000	551,282	(16,718)
Miscellaneous revenue	21,000	21,000	20,911	(89)
Total revenues	683,000	691,000	662,414	(28,586)
Expenditures				
Current:				
Health and welfare	1,122,046	1,125,938	1,093,080	32,858
Capital outlay	15,000	10,000	7,430	2,570
Total expenditures	1,137,046	1,135,938	1,100,510	35,428
Revenues over (under) expenditures	(454,046)	(444,938)	(438,096)	6,842
Other Financing Sources (Uses)				
Transfers in	404,046	402,938	402,938	-
Net change in fund balances	(50,000)	(42,000)	(35,158)	6,842
Fund balance, beginning of year	42,383	42,383	42,383	-
Fund balance, end of year	\$ (7,617)	\$ 383	\$ 7,225	\$ 6,842

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Probate Court Child Care			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 343,358	\$ 310,358	\$ 365,831	\$ 55,473
Charges for services	86,000	86,000	34,516	(51,484)
Miscellaneous revenue	300	300	25,896	25,596
Total revenues	429,658	396,658	426,243	29,585
Expenditures				
Current:				
Health and welfare	1,120,517	1,120,517	1,152,539	(32,022)
Capital outlay	-	2,500	-	2,500
Total expenditures	1,120,517	1,123,017	1,152,539	(29,522)
Revenues over (under) expenditures	(690,859)	(726,359)	(726,296)	63
Other Financing Sources (Uses)				
Transfers in	693,359	726,359	726,359	-
Net change in fund balances	2,500	-	63	63
Fund balance, beginning of year	99	99	99	-
Fund balance, end of year	\$ 2,599	\$ 99	\$ 162	\$ 63

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Soldiers Relief			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Interest earnings	\$ -	\$ -	\$ 38	\$ 38
Expenditures				
Current:				
Health and welfare	200	200	-	200
Revenues over (under) expenditures	(200)	(200)	38	238
Other Financing Sources (Uses)				
Transfers in	200	200	200	-
Net change in fund balances	-	-	238	238
Fund balance, beginning of year	3,606	3,606	3,606	-
Fund balance, end of year	\$ 3,606	\$ 3,606	\$ 3,844	\$ 238

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Veterans Trust			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 14,000	\$ 14,000	\$ 9,261	\$ (4,739)
Interest earnings	-	-	10	10
Total revenues	14,000	14,000	9,271	(4,729)
Expenditures				
Current:				
Health and welfare	14,000	14,000	9,413	4,587
Net change in fund balances	-	-	(142)	(142)
Fund balance, beginning of year	904	904	904	-
Fund balance, end of year	\$ 904	\$ 904	\$ 762	\$ (142)

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Child Care Welfare			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 232,500	\$ 232,500	\$ 119,384	\$ (113,116)
Expenditures				
Current:				
Health and welfare	465,000	465,000	241,616	223,384
Revenues over (under) expenditures	(232,500)	(232,500)	(122,232)	110,268
Other Financing Sources (Uses)				
Transfers in	232,500	232,500	232,500	-
Net change in fund balances	-	-	110,268	110,268
Fund balance, beginning of year	10,822	10,822	10,822	-
Fund balance, end of year	\$ 10,822	\$ 10,822	\$ 121,090	\$ 110,268

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Juvenile Care Center			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 871,287	\$ 871,287	\$ 976,037	\$ 104,750
Charges for services	689,200	653,200	345,584	(307,616)
Total revenues	1,560,487	1,524,487	1,321,621	(202,866)
Expenditures				
Current:				
Health and welfare	2,330,042	2,330,464	2,196,559	133,905
Capital outlay	5,700	6,179	5,532	647
Total expenditures	2,335,742	2,336,643	2,202,091	134,552
Revenues over (under) expenditures	(775,255)	(812,156)	(880,470)	(68,314)
Other Financing Sources (Uses)				
Transfers in	722,812	736,812	736,812	-
Net change in fund balances	(52,443)	(75,344)	(143,658)	(68,314)
Fund balance, beginning of year	148,841	148,841	148,841	-
Fund balance, end of year	\$ 96,398	\$ 73,497	\$ 5,183	\$ (68,314)

MIDLAND COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	ETC Transportation			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 510,178	\$ 510,178	\$ 513,539	\$ 3,361
Intergovernmental revenue	1,000,000	1,043,240	1,155,767	112,527
Interest earnings	-	-	1,640	1,640
Total revenues	1,510,178	1,553,418	1,670,946	117,528
Expenditures				
Current:				
Health and welfare	1,435,291	1,478,531	1,596,059	(117,528)
Revenues over (under) expenditures	74,887	74,887	74,887	-
Other Financing Sources (Uses)				
Transfers out	(74,887)	(74,887)	(74,887)	-
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

NONMAJOR ENTERPRISE FUNDS

Delinquent Tax Revolving - To account for funds advanced by the County to pay other local taxing units for their delinquent taxes, for delinquent tax years where "notes payable" have been paid. Funded by the collection of delinquent taxes.

2002, 2003, 2004, 2005 and 2006 Delinquent Forfeiture/Foreclosure - To account for various fees and related costs related to the new delinquent tax reversion process.

1998 Tax Repayment – To account for 1997 delinquent taxes, funded by the collection of taxes and interest.

1999 Tax Repayment – To account for 1998 delinquent taxes, funded by the collection of taxes and interest.

2000 Tax Repayment – To account for 1999 delinquent taxes, funded by the collection of taxes and interest.

2001 Tax Repayment - To account for 2000 delinquent taxes, funded by the collection of taxes and interest.

2002 Tax Repayment - To account for 2001 delinquent taxes, funded by the collection of taxes and interest.

2003 Tax Repayment - To account for 2002 delinquent taxes, funded by the collection of taxes and interest.

PA 105 - To account for the requirements of Public Act 105.

Jail Commissary – This fund is used to account for the operations of jail inmate concessions.

MIDLAND COUNTY
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2004

	Delinquent Tax Revolving	2002 Forfeiture/ Foreclosure	2003 Forfeiture/ Foreclosure	2004 Forfeiture/ Foreclosure	2005 Forfeiture/ Foreclosure	2006 Forfeiture/ Foreclosure	1998 Tax Repayment	1999 Tax Repayment	2000 Tax Repayment	2001 Tax Repayment	2002 Tax Repayment	2003 Tax Repayment	PA 105	Jail Commissary	Total
ASSETS															
Current assets:															
Cash and investment pool	\$ -	\$ 16,822	\$ 92,634	\$ 12,071	\$ 16,563	\$ 7,301	\$ 1,000	\$ -	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,895	\$ 115,618	\$ 38,351	\$ 305,255
Receivables:															
Delinquent taxes and interest	-	-	-	-	-	-	-	-	-	1,012	155,069	1,144,967	-	-	1,301,048
Interest	1,918	-	-	-	-	-	-	-	-	-	-	-	41	-	1,959
Due from other funds	-	100,120	-	100,120	-	-	-	-	-	-	-	-	-	-	200,240
Due from other governments	1,182,821	-	-	-	-	-	-	-	-	-	-	-	-	-	1,182,821
Noncurrent assets:															
Long-term advances to other funds	878,000	-	-	-	-	-	-	-	-	-	-	-	-	-	878,000
TOTAL ASSETS	2,062,739	116,942	92,634	112,191	16,563	7,301	1,000	-	1,000	2,012	156,069	1,146,862	115,659	38,351	3,869,323
LIABILITIES															
Current liabilities:															
Accounts and contracts payable	327	-	-	-	150	-	-	-	-	-	-	-	-	4,787	5,264
Due to other funds	200,240	-	-	-	-	-	-	-	-	-	-	-	-	-	200,240
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	-	90,684	-	90,684
Noncurrent liabilities:															
Long-term advances from other funds	-	-	-	-	-	-	-	-	-	-	-	878,000	-	-	878,000
Total liabilities	200,567	-	-	-	150	-	-	-	-	-	-	878,000	90,684	4,787	1,174,188
NET ASSETS															
Unrestricted	\$ 1,862,172	\$ 116,942	\$ 92,634	\$ 112,191	\$ 16,413	\$ 7,301	\$ 1,000	\$ -	\$ 1,000	\$ 2,012	\$ 156,069	\$ 268,862	\$ 24,975	\$ 33,564	\$ 2,695,135

MIDLAND COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Delinquent Tax Revolving	2002 Forfeiture/ Foreclosure	2003 Forfeiture/ Foreclosure	2004 Forfeiture/ Foreclosure	2005 Forfeiture/ Foreclosure	2006 Forfeiture/ Foreclosure	1998 Tax Repayment	1999 Tax Repayment	2000 Tax Repayment	2001 Tax Repayment	2002 Tax Repayment	2003 Tax Repayment	PA 105	Jail Commissary	Total
OPERATING REVENUES															
Interest earned on delinquent taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,474	\$ 28	\$ -	\$ 1,208	\$ 82,822	\$ 205,342	\$ 39,005	\$ -	\$ 329,879
Collection fees	-	4,200	2,675	87,522	72,089	7,301	197	2	203	2,560	39,856	98,631	-	-	315,236
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	63,021	63,021
Miscellaneous	15,558	-	-	-	-	-	-	-	-	-	-	-	-	-	15,558
TOTAL OPERATING REVENUES	15,558	4,200	2,675	87,522	72,089	7,301	1,671	30	203	3,768	122,678	303,973	39,005	63,021	723,694
OPERATING EXPENSES															
Consultant services	2,765	-	-	1,394	31,671	-	-	-	-	-	-	-	10,754	-	46,584
General service administration	8,994	9	3,729	11,694	31,647	-	-	-	573	-	-	-	-	-	56,646
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	1,521	55,184	56,705
TOTAL OPERATING EXPENSES	11,759	9	3,729	13,088	63,318	-	-	-	573	-	-	-	12,275	55,184	159,935
OPERATING INCOME (LOSS)	3,799	4,191	(1,054)	74,434	8,771	7,301	1,671	30	(370)	3,768	122,678	303,973	26,730	7,837	563,759
NON-OPERATING REVENUE (EXPENSE)															
Interest income	47,744	-	-	-	-	-	-	-	-	-	453	2,879	603	-	51,679
Interest expense on interfund advances	-	-	-	-	-	-	-	-	-	-	(6,490)	(37,990)	-	-	(44,480)
TOTAL NON-OPERATING REVENUE (EXPENSE)	47,744	-	-	-	-	-	-	-	-	-	(6,037)	(35,111)	603	-	7,199
Income (loss) before transfers	51,543	4,191	(1,054)	74,434	8,771	7,301	1,671	30	(370)	3,768	116,641	268,862	27,333	7,837	570,958
Transfers in	373,771	-	-	-	-	-	-	-	-	-	-	-	-	-	373,771
Transfers out	(290,720)	-	-	-	-	-	(2,713)	(75)	(7,515)	(89,815)	(263,653)	-	(10,000)	-	(664,491)
Total transfers	83,051	-	-	-	-	-	(2,713)	(75)	(7,515)	(89,815)	(263,653)	-	(10,000)	-	(290,720)
CHANGE IN NET ASSETS	134,594	4,191	(1,054)	74,434	8,771	7,301	(1,042)	(45)	(7,885)	(86,047)	(147,012)	268,862	17,333	7,837	280,238
NET ASSETS, beginning of year	1,727,578	112,751	93,688	37,757	7,642	-	2,042	45	8,885	88,059	303,081	-	7,642	25,727	2,414,897
NET ASSETS, end of year	\$ 1,862,172	\$ 116,942	\$ 92,634	\$ 112,191	\$ 16,413	\$ 7,301	\$ 1,000	\$ -	\$ 1,000	\$ 2,012	\$ 156,069	\$ 268,862	\$ 24,975	\$ 33,564	\$ 2,695,135

MIDLAND COUNTY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Delinquent Tax Revolving	2002 Forfeiture/ Foreclosure	2003 Forfeiture/ Foreclosure	2004 Forfeiture/ Foreclosure	2005 Forfeiture/ Foreclosure	2006 Forfeiture/ Foreclosure	1998 Tax Repayment	1999 Tax Repayment	2000 Tax Repayment	2001 Tax Repayment	2002 Tax Repayment	2003 Tax Repayment	PA 105	Jail Commissary	Total
Cash flows from operating activities:															
Cash received for interfund services provided	\$ 200,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,240
Cash paid for interfund services provided	-	(100,120)	-	(100,120)	-	-	-	-	-	-	-	-	-	-	(200,240)
Cash received from customers	15,558	-	-	-	-	-	-	-	-	-	-	-	-	63,021	78,579
Cash payments to suppliers for goods and services	(993,450)	-	-	(1,394)	(31,671)	-	-	-	-	-	-	(1,144,967)	(12,275)	(53,752)	(2,237,509)
Cash received from penalties and interest on delinquent taxes	-	4,200	2,675	87,522	72,089	7,301	3,713	75	9,088	90,815	1,195,863	303,973	127,520	-	1,904,834
Cash payments for delinquent tax rolls	-	(9)	(3,729)	(11,759)	(31,497)	-	-	-	(573)	-	-	-	-	-	(47,567)
Net cash provided by (used in) operating activities	(777,652)	(95,929)	(1,054)	(25,751)	8,921	7,301	3,713	75	8,515	90,815	1,195,863	(840,994)	115,245	9,269	(301,663)
Cash flows from noncapital financing activities:															
Proceeds from interfund advances	57,500	-	-	-	-	-	-	-	-	-	-	878,000	-	-	935,500
Repayments of interfund advances	(890,500)	-	-	-	-	-	-	-	-	-	(935,500)	-	-	-	(1,826,000)
Interest paid on interfund advances	-	-	-	-	-	-	-	-	-	-	(6,490)	(37,990)	-	-	(44,480)
Transfers in	373,771	-	-	-	-	-	-	-	-	-	-	-	-	-	373,771
Transfers out	(290,720)	-	-	-	-	-	(2,713)	(75)	(7,515)	(89,815)	(263,653)	-	(10,000)	-	(664,491)
Net cash provided by (used in) noncapital financing activities	(749,949)	-	-	-	-	-	(2,713)	(75)	(7,515)	(89,815)	(1,205,643)	840,010	(10,000)	-	(1,225,700)
Cash flows from investing activities:															
Interest on investments	49,479	-	-	-	-	-	-	-	-	-	453	2,879	562	-	53,373
Net increase (decrease) in cash and cash equivalents	(1,478,122)	(95,929)	(1,054)	(25,751)	8,921	7,301	1,000	-	1,000	1,000	(9,327)	1,895	105,807	9,269	(1,473,990)
Cash and cash equivalents, beginning of year	1,478,122	112,751	93,688	37,822	7,642	-	-	-	-	-	10,327	-	9,811	29,082	1,779,245
Cash and cash equivalents, end of year	\$ -	\$ 16,822	\$ 92,634	\$ 12,071	\$ 16,563	\$ 7,301	\$ 1,000	\$ -	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,895	\$115,618	\$ 38,351	\$ 305,255
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:															
OPERATING INCOME	\$ 3,799	\$ 4,191	\$ (1,054)	\$ 74,434	\$ 8,771	\$ 7,301	\$ 1,671	\$ 30	\$ (370)	\$ 3,768	\$ 122,678	\$ 303,973	\$ 26,730	\$ 7,837	\$ 563,759
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:															
Changes in operating assets and liabilities:															
Delinquent taxes and interest receivable	-	-	-	-	-	-	2,042	45	8,885	87,047	1,073,185	(1,144,967)	-	-	26,237
Due from other funds	-	(100,120)	-	(100,120)	-	-	-	-	-	-	-	-	-	-	(200,240)
Due from other governments	(981,841)	-	-	-	-	-	-	-	-	-	-	-	-	-	(981,841)
Accounts and contracts payable	150	-	-	(65)	150	-	-	-	-	-	-	-	(2,169)	1,432	(502)
Due to other funds	200,240	-	-	-	-	-	-	-	-	-	-	-	-	-	200,240
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	-	90,684	-	90,684
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (777,652)	\$ (95,929)	\$ (1,054)	\$ (25,751)	\$ 8,921	\$ 7,301	\$ 3,713	\$ 75	\$ 8,515	\$ 90,815	\$ 1,195,863	\$ (840,994)	\$115,245	\$ 9,269	\$ (301,663)

INTERNAL SERVICE FUNDS

Equipment Maintenance and Replacement - To account for funds accumulated for the maintenance and replacement of computer equipment.

Employee Disability Insurance - To account for funds accumulated for the payment of both long and short-term disability for covered employees.

Workers Compensation - To account for funds used in the self-insurance of Workers Compensation. Funded by receipts from other funds for their proportional expense.

Healthcare - To account for funds used in the self-insurance of healthcare for County employees. Funded by receipts from other funds for their proportional expense.

Insurance Deductible - To account for funds accumulated for the payment of the deductible on insurance claims; deductibles were increased for lower premium payments.

Day Activity Center Maintenance - To account for funds used in the maintenance and improvement of the Day Activity Center which is owned by Midland County and leased to the Midland-Gladwin Mental Health Services Board. Funded by payments from the lessee.

Mobile Data Terminal - To account for funds used in the purchase of Mobile Data Terminal equipment and the collection of user fees for its use.

MIDLAND COUNTY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2004

	Equipment Maintenance & Replace.	Employee Disability Insurance	Workers Compensation	Healthcare	Insurance Deductible	Day Activity Center Maintenance	Mobile Data Terminal	Total
ASSETS								
Current assets:								
Cash and investment pool	\$ 94,118	\$ 99,156	\$ 1,050,780	\$ 844,352	\$ 252,306	\$ 1,566	\$ 338,039	\$ 2,680,317
Receivables:								
Accounts	-	5,000	-	39,601	110,238	-	17,442	172,281
Interest	11	16	5,319	124	29	-	153	5,652
Prepaid expenses	-	-	-	122,010	-	-	-	122,010
Noncurrent assets:								
Equipment	513,074	-	-	-	-	-	380,975	894,049
Accumulated depreciation	(393,705)	-	-	-	-	-	(299,338)	(693,043)
TOTAL ASSETS	213,498	104,172	1,056,099	1,006,087	362,573	1,566	437,271	3,181,266
LIABILITIES								
Current liabilities:								
Accounts and contracts payable	2,877	-	-	-	-	-	504	3,381
Accrued liabilities	-	-	63,604	388,488	13,978	-	-	466,070
TOTAL LIABILITIES	2,877	-	63,604	388,488	13,978	-	504	469,451
NET ASSETS								
Investment in capital assets	119,369	-	-	-	-	-	81,637	201,006
Unrestricted	91,252	104,172	992,495	617,599	348,595	1,566	355,130	2,510,809
TOTAL NET ASSETS	\$ 210,621	\$ 104,172	\$ 992,495	\$ 617,599	\$ 348,595	\$ 1,566	\$ 436,767	\$ 2,711,815

MIDLAND COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Equipment Maintenance & Replace.	Employee Disability Insurance	Workers Compensation	Healthcare	Insurance Deductible	Day Activity Center Maintenance	Mobile Data Terminal	Total
OPERATING REVENUES								
Rental income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,000	\$ 90,180	\$ 96,180
Billings to departments	96,000	219,294	64,178	2,455,182	-	-	-	2,834,654
Reimbursements and refunds	80	-	-	226,552	23,078	-	-	249,710
TOTAL OPERATING REVENUES	96,080	219,294	64,178	2,681,734	23,078	6,000	90,180	3,180,544
OPERATING EXPENSES								
Compensation payments	-	125,650	70,669	-	-	-	-	196,319
Reinsurance premiums	-	-	18,343	-	-	-	-	18,343
Consultant services	-	2,338	11,645	-	-	-	-	13,983
General service administration	5,914	-	-	2,684,562	58,589	8,148	53,465	2,810,678
Depreciation expense	79,243	-	-	-	-	-	54,425	133,668
TOTAL OPERATING EXPENSES	85,157	127,988	100,657	2,684,562	58,589	8,148	107,890	3,172,991
OPERATING INCOME (LOSS)	10,923	91,306	(36,479)	(2,828)	(35,511)	(2,148)	(17,710)	7,553
NON-OPERATING REVENUE								
Interest income	1,351	2,318	23,966	5,111	3,576	51	4,336	40,709
INCOME (LOSS) BEFORE TRANSFERS	12,274	93,624	(12,513)	2,283	(31,935)	(2,097)	(13,374)	48,262
Transfers in	-	-	-	400,000	100,000	-	-	500,000
CHANGE IN NET ASSETS	12,274	93,624	(12,513)	402,283	68,065	(2,097)	(13,374)	548,262
NET ASSETS, beginning of year	198,347	10,548	1,005,008	215,316	280,530	3,663	450,141	2,163,553
NET ASSETS, end of year	\$ 210,621	\$ 104,172	\$ 992,495	\$ 617,599	\$ 348,595	\$ 1,566	\$ 436,767	\$ 2,711,815

MIDLAND COUNTY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Equipment Maintenance & Replace.	Employee Disability Insurance	Workers Compensation	Healthcare	Insurance Deductible	Day Activity Center Maintenance	Mobile Data Terminal	Total
Cash flows from operating activities:								
Cash received from interfund services provided	\$ 96,080	\$ 219,294	\$ 73,178	\$ 3,021,734	\$ -	\$ -	\$ -	\$ 3,410,286
Cash received from customers	-	-	-	-	(26,373)	6,000	96,642	76,269
Cash payments to suppliers for goods and services	(17,020)	(9,724)	-	-	(72,344)	(8,148)	(52,961)	(160,197)
Cash payments for insurance claims	-	(127,988)	(95,892)	(2,788,786)	(16,133)	-	-	(3,028,799)
Net cash provided by (used in) operating activities	79,060	81,582	(22,714)	232,948	(114,850)	(2,148)	43,681	297,559
Cash flows from noncapital financing activities:								
Transfers in	-	-	-	400,000	100,000	-	-	500,000
Cash flows from capital and related financing activities:								
Payments for equipment acquisitions	(70,766)	-	-	-	-	-	-	(70,766)
Cash flows from investing activities:								
Interest on investments	1,376	2,311	24,637	4,987	3,779	51	4,446	41,587
Net increase (decrease) in cash and cash equivalents	9,670	83,893	1,923	637,935	(11,071)	(2,097)	48,127	768,380
Cash and cash equivalents, beginning of year	84,448	15,263	1,048,857	206,417	263,377	3,663	289,912	1,911,937
Cash and cash equivalents, end of year	\$ 94,118	\$ 99,156	\$ 1,050,780	\$ 844,352	\$ 252,306	\$ 1,566	\$ 338,039	\$ 2,680,317
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 10,923	\$ 91,306	\$ (36,479)	\$ (2,828)	\$ (35,511)	\$ (2,148)	\$ (17,710)	\$ 7,553
Adjustments to reconcile operating income (loss) by operating activities:								
Depreciation	79,243	-	-	-	-	-	54,425	133,668
Changes in assets and liabilities:								
Accounts receivable	-	-	9,000	(16,985)	(49,451)	-	6,462	(50,974)
Due from other funds	-	-	-	340,000	-	-	-	340,000
Prepaid assets	-	-	-	(13,658)	-	-	-	(13,658)
Accounts and contracts payable	(11,106)	(9,724)	-	-	(13,755)	-	504	(34,081)
Accrued liabilities	-	-	4,765	(73,581)	(16,133)	-	-	(84,949)
Net cash provided (used) by operating activities	\$ 79,060	\$ 81,582	\$ (22,714)	\$ 232,948	\$ (114,850)	\$ (2,148)	\$ 43,681	\$ 297,559

FIDUCIARY FUNDS

Fiduciary Funds are funds set up to account for assets held by the County, in a fiduciary capacity, for individuals, organizations, other units of government or other funds. These funds are grouped into three categories:

1. **Private-Purpose Trust Funds** – To account for assets held in trusts under which the principal and income benefit individuals, private organizations and other governments.
2. **Pension and Other Employee Benefit Trust Funds** - To account for resources required to be held in trust for the members and beneficiaries of retirement programs or other employee benefit programs.
3. **Agency Funds** - To account for resources received and held by the County, in a custodial capacity, for individuals, organizations and other governments.

PRIVATE-PURPOSE TRUST FUNDS

Juvenile Care Center - To account for money received from the Volunteers for Youth of Midland, Inc., for future benefits of Juvenile Care Center.

Forfeiture Control - To account for money received from various forfeitures.

Family Independence Agency - To account for all transactions concerning donor money which is received by the Midland County Family Independence Agency office.

Pinecrest Special Donor - To account for money received and used for specialty projects as requested by the Donor.

Bergstein Donor Trust - To account for money received for projects as requested by the Donor.

Midland Charitable Family Trust - To account for money received and used for projects as requested by the Donor.

Public Guardian Trust - To account for money received from private individuals for specific purposes which are related to Probate Court matters.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Retiree Health Care - To account for the operation of the Retiree Health Care System. Premium payments for retiree health insurance are paid from this fund. Funded through employee contributions, County contributions and earnings on the accumulated funds.

Employee's Retirement - To account for the operation of the Midland County Employees' Retirement System. Funded through employee contributions, County contributions and earnings on the accumulated funds.

Act 345 Retirement - Established under the provisions of Michigan Public Act 345 of 1937, to account for the operation of the retirement system for members of the Sheriff Department. Funded by employee contributions, County contributions and earnings on accumulated funds.

AGENCY FUNDS

County Agency - To account for money which is held by the County in a capacity of trustee, custodian, or agent for individuals, governmental entities and non-public organizations.

Retainment - To account for amounts held as retainings on open construction contracts.

Flexible Benefit Fund - To account for deposits from employees to be used for flexible benefit/cafeteria plan.

Library Penal Fund - To account for money which is received from the courts for funds they impose for State Law violations. Required by Michigan Public Act 286 of 1961.

Inmate Trust Fund - To account for deposits from County jail inmates.

MIDLAND COUNTY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2004

	Juvenile Care Center	Forfeiture Control	Family Independence Agency	Pinecrest Special Donor	Bergstein Donor Trust	Midland Charitable Family	Public Guardian Trust	Total Private- Purpose Trust Funds
ASSETS								
Cash and investment pool	\$ 148,658	\$ 1,950	\$ 197,657	\$ 37,528	\$ 840	\$ 27	\$ -	\$ 386,660
Investments:								
Common stock	-	-	750,077	-	-	-	-	750,077
Receivables:								
Interest	730	-	74	-	-	-	-	804
Net assets held in trust for:								
Specific programs	\$ 149,388	\$ 1,950	\$ 947,808	\$ 37,528	\$ 840	\$ 27	\$ -	\$ 1,137,541

MIDLAND COUNTY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
DECEMBER 31, 2004

	Retiree Health Care	Employees' Retirement	Act 345 Retirement	Total Pension & Other Employee Benefit Trust Funds
ASSETS				
Cash and interest bearing deposits	\$ 84,800	\$ 109,617	\$ 46,460	\$ 240,877
Investments:				
Common stock	6,993,181	26,343,274	13,753,366	47,089,821
Corporate bonds	1,841,844	11,749,549	4,291,296	17,882,689
Short-term fixed income investment	129,886	829,149	442,668	1,401,703
U.S. government securities	1,938,007	3,437,285	3,230,501	8,605,793
Total investments	10,902,918	42,359,257	21,717,831	74,980,006
Receivables:				
Accounts	4,755	12,296	6,129	23,180
Interest	61,647	252,521	93,628	407,796
Prepayments	-	-	82,154	82,154
Total other current assets	66,402	264,817	181,911	513,130
TOTAL ASSETS	11,054,120	42,733,691	21,946,202	75,734,013
LIABILITIES				
Accounts payable	-	-	7,400	7,400
Accrued liabilities	191,717	-	-	191,717
Total liabilities	191,717	-	7,400	199,117
Net assets held in trust for:				
Retirement benefits	\$ 10,862,403	\$ 42,733,691	\$ 21,938,802	\$ 75,534,896

MIDLAND COUNTY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2004

	County Agency	Retainment	Flexible Benefit	Library Penal Fines	Inmate Trust	Total Agency Funds
ASSETS						
Cash and investment pool	\$ 2,436,448	\$ 54,050	\$ 19,452	\$ 162,957	\$ 10,781	\$ 2,683,688
Receivables:						
Interest	-	-	-	120	-	120
Total assets	<u>\$ 2,436,448</u>	<u>\$ 54,050</u>	<u>\$ 19,452</u>	<u>\$ 163,077</u>	<u>\$ 10,781</u>	<u>\$ 2,683,808</u>
Liabilities:						
Accounts and contracts payable	\$ 11,110	\$ 54,050	\$ -	\$ -	\$ -	\$ 65,160
Deposits held	2,066,699	-	19,452	-	10,781	2,096,932
Due to other governments	358,639	-	-	163,077	-	521,716
Total liabilities	<u>\$ 2,436,448</u>	<u>\$ 54,050</u>	<u>\$ 19,452</u>	<u>\$ 163,077</u>	<u>\$ 10,781</u>	<u>\$ 2,683,808</u>

MIDLAND COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES--AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
COUNTY AGENCY				
ASSETS				
Cash and investment pool	\$ 1,488,043	\$ 39,245,935	\$ 38,297,530	\$ 2,436,448
Other receivables	1,880	2,211	4,091	-
TOTAL ASSETS	\$ 1,489,923	\$ 39,248,146	\$ 38,301,621	\$ 2,436,448
LIABILITIES				
Accounts and contracts payable	\$ 11,932	\$ 31,177,045	\$ 31,177,867	\$ 11,110
Deposits payable	926,984	9,122,994	7,983,279	2,066,699
Due to other government	551,007	29,771,425	29,963,793	358,639
Due to other funds	-	400	400	-
TOTAL LIABILITIES	\$ 1,489,923	\$ 70,071,864	\$ 69,125,339	\$ 2,436,448
RETAINMENT FUND				
ASSETS				
Cash and investment pool	\$ 80,359	\$ 416,558	\$ 442,867	\$ 54,050
LIABILITIES				
Accounts and contracts payable	\$ 80,359	\$ 247,645	\$ 273,954	\$ 54,050
FLEXIBLE BENEFIT				
ASSETS				
Cash and investment pool	\$ 16,591	\$ 162,797	\$ 159,936	\$ 19,452
LIABILITIES				
Deposits payable	\$ 16,591	\$ 162,797	\$ 159,936	\$ 19,452

(Continued)

MIDLAND COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES--AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
LIBRARY PENAL FINES				
ASSETS				
Cash and investment pool	\$ 246,331	\$ 1,538,561	\$ 1,621,935	\$ 162,957
Interest receivable	23	120	23	120
TOTAL ASSETS	\$ 246,354	\$ 1,538,681	\$ 1,621,958	\$ 163,077
LIABILITIES				
Due to other governments	\$ 246,354	\$ 332,366	\$ 415,643	\$ 163,077
INMATE TRUST				
ASSETS				
Cash and investment pool	\$ 5,615	\$ 10,253	\$ 5,087	\$ 10,781
LIABILITIES				
Deposits payable	\$ 5,615	\$ 10,253	\$ 5,087	\$ 10,781
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and investment pool	\$ 1,836,939	\$ 41,374,104	\$ 40,527,355	\$ 2,683,688
Interest receivable	23	120	23	120
Other receivables	1,880	2,211	4,091	-
TOTAL ASSETS	\$ 1,838,842	\$ 41,376,435	\$ 40,531,469	\$ 2,683,808
LIABILITIES				
Accounts and contracts payable	\$ 92,291	\$ 31,424,690	\$ 31,451,821	\$ 65,160
Deposits payable	949,190	9,296,044	8,148,302	2,096,932
Due to other governments	797,361	30,103,791	30,379,436	521,716
Due to other funds	-	400	400	-
TOTAL LIABILITIES	\$ 1,838,842	\$ 70,824,925	\$ 69,979,959	\$ 2,683,808

MIDLAND COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Juvenile Care Center	Forfeiture Control	Family Independence Agency	Pinecrest Special Donor	Bergstein Donor Trust	Midland Charitable Family	Public Guardian Trust	Total
ADDITIONS								
Investment income								
Interest income	\$ 2,522	\$ -	\$ 2,561	\$ 1,367	\$ 15	\$ -	\$ 2	\$ 6,467
Dividend income	-	-	20,301	-	-	-	-	20,301
Net increase in fair value of investments	-	-	120,291	-	-	-	-	120,291
Miscellaneous revenue	225	-	-	115,461	20,830	-	-	136,516
TOTAL ADDITIONS	2,747	-	143,153	116,828	20,845	-	2	283,575
DEDUCTIONS								
Administrative expenses	13,085	-	-	-	21,451	-	22	34,558
Health and welfare	-	-	10,000	161,514	-	-	-	171,514
TOTAL DEDUCTIONS	13,085	-	10,000	161,514	21,451	-	22	206,072
CHANGE IN NET ASSETS	(10,338)	-	133,153	(44,686)	(606)	-	(20)	77,503
Net assets held in trust, beginning of year	159,726	1,950	814,655	82,214	1,446	27	20	1,060,038
NET ASSETS HELD IN TRUST, END OF YEAR	\$ 149,388	\$ 1,950	\$ 947,808	\$ 37,528	\$ 840	\$ 27	\$ -	\$ 1,137,541

MIDLAND COUNTY
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION & OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Retiree Healthcare	Employees' Retirement	Act 345 Retirement	Total
ADDITIONS				
Contributions				
Employer	\$ 1,195,526	\$ -	\$ -	\$ 1,195,526
Plan members	136,535	339,761	180,605	656,901
Total contributions	1,332,061	339,761	180,605	1,852,427
Investment income				
Interest	193,014	808,524	387,058	1,388,596
Dividends	118,148	457,670	234,062	809,880
Net change in fair value of investments	383,297	3,830,668	763,446	4,977,411
Total investment income	694,459	5,096,862	1,384,566	7,175,887
Less investment expense	(54,412)	(228,097)	(80,420)	(362,929)
Net investment income	640,047	4,868,765	1,304,146	6,812,958
TOTAL ADDITIONS	1,972,108	5,208,526	1,484,751	8,665,385
DEDUCTIONS				
Benefits paid	865,855	1,530,505	987,508	3,383,868
Participant refunds	54,941	27,933	51,376	134,250
TOTAL DEDUCTIONS	920,796	1,558,438	1,038,884	3,518,118
Net increase in plan assets	1,051,312	3,650,088	445,867	5,147,267
Net assets held in trust, beginning of year	9,811,091	39,083,603	21,492,935	70,387,629
NET ASSETS HELD IN TRUST, END OF YEAR	\$ 10,862,403	\$ 42,733,691	\$ 21,938,802	\$ 75,534,896

MIDLAND COUNTY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET--DRAIN COMMISSIONER COMPONENT UNIT
DECEMBER 31, 2004

	Drain	Revolving Drain	Revolving Drain Operating	Ashby Drain Debt	Sanford Lake Improvement	Total	Adjustments	Statement of Net Assets
ASSETS								
Cash and investment pool	\$ 1,075,557	\$ 72,351	\$ 12,291	\$ 21,295	\$ 76,257	\$ 1,257,751	\$ -	\$ 1,257,751
Receivables (net):								
Interest	883	-	-	-	6	889	-	889
Special assessments	700,114	-	-	1,204,328	176,187	2,080,629	-	2,080,629
Due from other funds	-	325,107	37,918	-	-	363,025	(363,025)	-
Capital assets, net:								
Assets not being depreciated	-	-	-	-	-	-	126,631	126,631
Assets being depreciated	-	-	-	-	-	-	448,066	448,066
TOTAL ASSETS	\$ 1,776,554	\$ 397,458	\$ 50,209	\$ 1,225,623	\$ 252,450	\$ 3,702,294	211,672	3,913,966
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30,239	30,239
Due to other funds	363,025	-	-	-	-	363,025	(363,025)	-
Deferred revenue	491,655	-	-	1,119,388	-	1,611,043	(1,611,043)	-
Long-term advance from primary government	-	397,458	47,631	-	-	445,089	-	445,089
Long-term debt due within one year	-	-	-	-	-	-	264,419	264,419
Long-term debt	-	-	-	-	-	-	1,246,476	1,246,476
TOTAL LIABILITIES	854,680	397,458	47,631	1,119,388	-	2,419,157	(432,934)	1,986,223
FUND BALANCES/NET ASSETS								
Unreserved fund balances:								
Undesignated	921,874	-	2,578	106,235	252,450	1,283,137	(1,283,137)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,776,554	\$ 397,458	\$ 50,209	\$ 1,225,623	\$ 252,450	\$ 3,702,294		
NET ASSETS								
Investment in capital assets								
net of related debt							(936,198)	(936,198)
Unrestricted							\$ 2,863,941	\$ 2,863,941
TOTAL NET ASSETS							\$ 1,927,743	\$ 1,927,743

MIDLAND COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES--DRAIN COMMISSIONER COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2004

	Drain	Revolving Drain	Revolving Drain Operating	Ashby Drain Debt	Sanford Lake Improvement	Total	Adjustments	Statement of Activities
REVENUES								
Special assessments	\$ 368,008	\$ -	\$ -	\$ 89,564	\$ 150,578	\$ 608,150	\$ (177,536)	\$ 430,614
Interest earnings	13,422	-	107	439	1,702	15,670	-	15,670
Miscellaneous revenue	10,816	-	-	-	6	10,822	-	10,822
TOTAL REVENUES	392,246	-	107	90,003	152,286	634,642	(177,536)	457,106
EXPENDITURES/EXPENSES								
Current operations:								
Public works	335,727	-	-	-	168,888	504,615	(126,631)	377,984
Depreciation	-	-	-	-	-	-	8,653	8,653
Debt service:								
Payment of debt principal	270,555	-	-	50,000	-	320,555	(320,555)	-
Interest	31,270	-	-	38,173	-	69,443	(4,050)	65,393
TOTAL EXPENDITURES/EXPENSES	637,552	-	-	88,173	168,888	894,613	(442,583)	452,030
REVENUES OVER (UNDER) EXPENDITURES	(245,306)	-	107	1,830	(16,602)	(259,971)	265,047	5,076
Other financing sources (uses):								
Proceeds of long-term debt	137,000	-	-	-	-	137,000	(137,000)	-
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(108,306)	-	107	1,830	(16,602)	(122,971)	122,971	-
CHANGE IN NET ASSETS	-	-	-	-	-	-	5,076	5,076
Fund balances/net assets at beginning of year, as restated	1,030,180	-	2,471	104,405	269,052	1,406,108	516,559	1,922,667
FUND BALANCES/NET ASSETS AT END OF YEAR	\$ 921,874	\$ -	\$ 2,578	\$ 106,235	\$ 252,450	\$ 1,283,137	\$ 644,606	\$ 1,927,743

MIDLAND COUNTY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND
BALANCE SHEET--E.D.C.C.M. Loan Revolving Component Unit
DECEMBER 31, 2004

	E.D.C.C.M.		Statement of
	Loan	Adjustments	Net Assets
	Revolving		
ASSETS			
Cash and investment pool	\$ 148,560	\$ -	\$ 148,560
Receivables (net):			
Interest	119	-	119
Loans	15,000	-	15,000
TOTAL ASSETS	<u>\$ 163,679</u>	<u>-</u>	<u>163,679</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	\$ 15,000	(15,000)	-
FUND BALANCES/NET ASSETS			
Unreserved fund balances:			
Undesignated	148,679	(148,679)	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 163,679</u>		
NET ASSETS, unrestricted		<u>\$ 163,679</u>	<u>\$ 163,679</u>

MIDLAND COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES--E.D.C.C.M. Loan Revolving
Component Unit
FOR THE YEAR ENDED DECEMBER 31, 2004

	E.D.C.C.M. Loan Revolving		Adjustments	Statement of Activities
REVENUES				
Loan repayments	\$	27,322	\$ (26,250)	\$ 1,072
Interest earnings		2,039	-	2,039
TOTAL REVENUES		29,361	(26,250)	3,111
EXPENDITURES/EXPENSES				
Current operations:				
Health and welfare		103,510	-	103,510
REVENUES OVER (UNDER) EXPENDITURES		(74,149)	74,149	-
CHANGE IN NET ASSETS		-	(100,399)	(100,399)
Fund balances/net assets at beginning of year		222,828	41,250	264,078
FUND BALANCES/NET ASSETS AT END OF YEAR	\$	148,679	\$ (59,149)	\$ 163,679

TABLE 1

MIDLAND COUNTY
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GENERAL, SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECT, AND PERMANENT FUNDS
LAST TEN YEARS (UNAUDITED)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
General service administration	\$7,003,404	\$5,462,041	\$5,429,267	\$4,952,146	\$4,788,123	\$4,585,589	\$4,733,304	\$4,440,325	\$4,707,234	\$4,165,735
Legislative	175,101	182,500	183,209	175,931	178,161	192,588	192,214	209,608	192,162	196,294
Judicial	5,171,282	4,800,102	5,197,541	4,512,354	4,216,634	4,156,639	4,226,838	4,276,878	3,861,509	3,683,968
Law enforcement	5,804,789	5,504,799	5,281,206	5,070,002	4,661,044	4,778,275	4,457,947	4,604,212	4,707,608	4,365,654
Emergency services & public safety	366,804	338,478	339,839	316,278	279,151	281,001	312,139	91,950	70,497	68,938
Public works	18,483	16,225	11,593	9,219	9,897	934,276	30,263	188,735	2,649	5,519
Enterprises	0	0	0	0	0	0	0	20,100	20,098	18,087
Health & Welfare	11,866,579	12,095,166	10,582,887	9,805,426	9,364,759	8,541,379	8,295,766	8,296,168	7,599,693	6,749,169
Culture & recreation	744,973	692,824	703,769	677,510	639,761	634,508	711,181	802,874	806,788	749,921
Planning and development	407,761	363,289	404,138	369,060	352,473	306,301	288,166	364,825	302,827	256,529
Other agencies	6,140,921	6,036,752	5,725,869	5,315,864	4,031,500	3,497,587	3,062,798	2,663,974	2,476,429	2,325,825
Payment of debt principal	1,340,923	1,155,000	1,173,037	1,117,768	1,014,515	804,515	599,515	405,000	421,263	360,000
Interest charges	942,332	901,930	951,792	1,012,242	1,048,605	649,731	631,997	292,632	363,329	323,735
Capital outlay	3,012,005	4,524,666	665,138	1,396,604	5,859,402	4,603,201	5,825,563	4,667,247	2,442,167	2,441,654
TOTAL EXPENDITURES	\$42,995,357	\$42,073,772	\$36,649,285	\$34,730,404	\$36,444,025	\$33,965,590	\$33,367,691	\$31,324,528	\$27,974,253	\$25,711,028

TABLE 2

MIDLAND COUNTY
GENERAL GOVERNMENTAL REVENUES BY SOURCE
GENERAL, SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECT, AND PERMANENT FUNDS
LAST TEN YEARS (UNAUDITED)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Taxes	\$29,578,090	\$24,265,636	\$22,765,692	\$22,083,330	\$21,291,799	\$19,050,221	\$19,945,286	\$19,308,866	\$16,963,157	\$16,688,831
Intergovernmental revenue	8,398,941	9,366,595	8,570,484	9,463,933	8,139,774	6,778,805	6,256,425	5,635,647	5,203,394	5,576,258
Charges for services	4,609,991	5,114,343	4,679,641	4,185,511	4,223,989	3,892,475	3,767,168	3,104,799	2,517,118	2,371,578
Licenses and permits	306,837	334,602	295,599	294,954	282,971	260,955	278,991	265,311	254,370	262,679
Ordinace fines	0	0	0	0	0	0	0	6,500	6,500	6,500
Investment Income	670,456	603,980	756,819	1,358,136	1,755,105	1,215,723	1,142,269	1,022,014	873,105	815,917
Miscellaneous revenues	3,166,151	2,801,837	2,822,185	960,554	697,745	2,062,715	1,150,979	1,697,186	880,733	1,174,337
TOTAL REVENUES	\$46,730,466	\$42,486,993	\$39,890,420	\$38,346,418	\$36,391,383	\$33,260,894	\$32,541,118	\$31,040,323	\$26,698,377	\$26,896,100

TABLE 3

**COUNTY-WIDE PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS (UNAUDITED)**

Fiscal Tax Year	Total Tax Levy (1)	Amount of Current Taxes Collected (2)	Percent of Current Taxes Collected (2)	Amount of Delinquent Taxes Collected (3)	Total Collected For Year
1995	\$ 100,596,312	\$ 97,261,001	96.68%	\$ 4,005,850	\$101,266,851
1996	99,546,919	96,052,442	96.49%	4,202,238	100,254,680
1997	108,347,278	104,706,990	96.64%	3,874,976	108,581,966
1998	109,474,410	105,990,628	96.82%	3,409,450	109,400,078
1999	115,952,043	112,327,840	96.87%	4,399,134	116,726,974
2000	120,955,175	116,898,018	96.65%	5,091,736	121,989,754
2001	125,682,259	121,170,359	96.41%	4,544,363	125,714,722
2002	138,009,713	133,338,488	96.62%	4,653,654	137,992,142
2003	135,918,372	132,255,306	97.30%	4,485,177	136,740,483
2004	133,753,480	129,950,442	97.16%	4,149,524	134,099,966

(1) Adjusted tax for current year

(2) Dec. 1 - March 1 each year (includes personal tax collections)

(3) All tax years March 31 - March 31 (excludes personal tax collections)

TABLE 4

MIDLAND COUNTY
EQUALIZED VALUE AND ESTIMATED TRUE CASH VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS (UNAUDITED)

Tax Year*	Real Property		Personal Property		Total		Percent of Equalized to Full Value
	Equalized Value	True Cash Value	Equalized Value	True Cash Value	Equalized Value	True Cash Value	
1995	\$ 1,569,441,001	\$ 3,138,881,983	\$ 1,008,125,870	\$ 2,016,251,740	\$ 2,577,566,871	\$ 5,155,133,723	50.00%
1996	1,631,433,575	3,262,867,130	1,011,553,323	2,023,106,646	2,642,986,898	5,285,973,776	50.00%
1997	1,703,905,311	3,407,810,613	1,009,570,505	2,019,141,010	2,713,475,816	5,426,951,623	50.00%
1998	1,804,420,728	3,634,688,283	1,023,491,408	2,046,982,816	2,827,912,136	5,681,671,099	50.00%
1999	1,937,729,753	3,875,459,469	1,070,097,768	2,140,195,536	3,007,827,521	6,015,655,005	50.00%
2000	2,060,687,874	4,121,375,720	1,049,375,758	2,098,751,513	3,110,063,632	6,220,127,233	50.00%
2001	2,199,583,755	4,399,167,510	1,082,440,152	2,164,880,304	3,282,023,907	6,564,047,814	50.00%
2002	2,435,481,808	4,870,963,616	1,283,763,008	2,567,526,016	3,719,244,816	7,438,489,632	50.00%
2003	3,345,020,066	6,721,372,463	490,996,749	981,993,498	3,836,016,815	7,703,365,961	50.00%
2004	3,468,211,485	6,959,183,559	465,249,139	930,498,278	3,933,460,624	7,889,681,837	50.00%

* Year tax was levied

2004 AUDIT

TABLE 5

MIDLAND COUNTY
PROPERTY TAX RATES-- DIRECT AND ALL OVERLAPPING GOVERNMENTS
LAST TEN YEARS (UNAUDITED)
(per \$1,000 of Taxable Value)

MIDLAND COUNTY															
Year*	Twps**	Cities	Operating	Road Comm.	Senior Citizen	Gypsy Moth	Mosquito Control	E.M.S.	9-1-1	ETC	Delta College	Midland Intermediate School Dist.	Local School Districts***		Total****
													Homestead	Non- Homestead	
1995	1.8504	14.5601	4.8955	0.9791	0.4900	0.0000	0.3035	0.3916	0.3916		2.0427	1.1756	8.7289	25.3975	52.4776
1996	1.9602	14.3986	4.8955	0.9791	0.5483	0.0000	0.3035	0.3916	0.3916		2.0427	1.1756	8.5125	25.1770	52.2637
1997	1.9450	15.7640	4.8955	1.0000	0.5483	0.0000	0.3400	0.3916	0.5000		2.0427	1.1756	8.5741	25.2724	53.8751
1998	1.8576	16.0110	4.8955	1.0000	0.5483	0.1000	0.3400	0.3916	0.4500		2.0427	1.1756	8.3903	25.0868	53.8991
1999	1.8674	16.2412	4.8955	1.0000	0.6600	0.3000	0.3400	0.5200	0.4800		2.0427	1.1756	8.3787	25.0119	54.5343
2000	1.8622	16.2386	4.8955	1.0000	0.6600	0.3000	0.3400	0.5200	0.4500	0.1500	2.0427	1.1756	10.5934	27.2240	56.8586
2001	1.8641	16.0362	4.8955	1.0000	0.6600	0.3000	0.3400	0.5200	0.4000	0.1500	2.5427	1.1756	10.4982	26.2170	56.1011
2002	1.8393	15.8372	4.8955	1.0000	0.7500	0.3000	0.3400	0.5200	0.3500	0.1500	2.5427	1.1756	10.9118	27.8578	57.5581
2003	1.8570	15.6120	4.8955	1.0000	0.7500	0.0000	0.3400	0.5200	0.3700	0.1500	2.5427	1.1756	10.8414	28.7991	58.0119
2004	2.0376	14.2828	4.8955	1.0000	0.7500	0.1500	0.3400	0.4000	0.4600	0.1500	2.0427	1.1756	11.0298	28.0875	55.7717

* Year tax was levied

** Average from total of sixteen (16) Townships

*** Average of Coleman, Meridian, Bullock Creek and Midland School Districts

****Total includes Non-Homestead Column only, not Homestead rates.

TABLE 6

**MIDLAND COUNTY
PRINCIPAL TAXPAYERS
December 31, 2004 (UNAUDITED)**

Taxpayer	2004 Taxable Valuation	Percent of Total Taxable Valuation
Midland Cogeneration Venture	\$604,753,049	17.70%
Dow Chemical/Dowelanco Co.	416,874,104	12.20%
Dow Corning	175,113,400	5.13%
Consumers Energy Co.	46,652,805	1.37%
Midland Venture Limited Partnership	14,236,200	0.42%
Michigan Electric Transmission Co.	10,912,351	0.32%
Meijer Inc.	6,411,100	0.19%
IBM Credit Corp	6,374,100	0.19%
Alliance T P Portfolio (apartments)	6,029,000	0.18%
MVCC Limited Partnership	5,293,200	0.15%
Taxable Assessed Value of 10 Largest Taxpayers	1,292,649,309	37.84%
Taxable Assessed Value of All Other Taxpayers	2,123,637,695	62.16%
Total Taxable Assessed Value of All Taxpayers	\$3,416,287,004	100.00%

a) Industrial Facilities Tax exemptions are not included in the above schedule

TABLE 7

**MIDLAND COUNTY
SPECIAL ASSESSMENTS COLLECTIONS
LAST TEN YEARS (UNAUDITED)**

Fiscal Year*	Amount of Special Assessments Becoming Due During Fiscal Year	Special Assessments Collected	Total Amount Special Assessments Uncollected
1995	\$ 658,386	\$ 577,737	\$ 80,649
1996	707,450	626,858	80,592
1997	660,459	608,194	52,265
1998	618,347	571,758	46,589
1999	443,433	412,543	30,890
2000	479,012	450,323	28,689
2001	480,400	454,123	26,277
2002	437,052	405,602	31,450
2003	484,498	454,429	30,069
2004	417,346	390,529	26,817

* Year of Assessment

Note: Each year the Drain Commissioner turns over for collection the portion of Special Assessment Drains to be paid by the taxpayers in a drainage district. These are collected by the local units up to March 1st and then uncollected assessments are turned into the County as delinquent. Total outstanding assessments include both levied and unlevied assessments.

Total Fund balances at year end for all debt service funds

Bldg Authy	\$	30,213
Lincoln		133
Homer		3,143
Larkin 1		10,196
Jerome		985
Midland		2,586
Larkin 2		101,992
Homer 3/4		4,109
Homer 6/7		75
M-30		10,918
	\$	<u>164,350</u>

Table 9

MIDLAND COUNTY
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS (UNAUDITED)

Year*	Population (1)	Assessed Value for Operations (2)	Tax Supported Debt (3)	Less Debt Service Money Available	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	79,560	\$ 2,556,941,624	\$ 7,401,127	\$ 4,364	\$ 7,396,763	0.289%	\$ 92.97
1996	80,020	2,609,339,898	7,179,864	20,258	7,159,606	0.274%	89.47
1997	75,651	2,669,432,911	12,373,601	188,890	12,184,711	0.456%	161.06
1998	75,651	2,758,282,943	13,024,086	24,653	12,999,433	0.471%	171.83
1999	75,651	2,878,337,896	20,483,201	165,478	20,317,723	0.706%	268.57
2000	82,874	2,943,021,849	19,445,753	31,377	19,414,376	0.660%	234.26
2001	83,620	3,077,119,327	18,317,557	34,217	18,283,340	0.594%	218.65
2002	83,815	3,455,226,100	17,144,520	183,091	16,961,429	0.491%	202.37
2003	84,492	3,331,727,094	21,716,752	348,259	21,368,493	0.641%	252.91
2004	84,615	3,416,287,004	20,816,794	164,350	20,652,444	0.605%	244.08

* Represents year taxes are levied

- (1) Population are taken from the Bureau of Census 2004 Population Estimates Program Census Bureau Website .
 (2) Beginning in 1995 this is taxable value not SEV, based on changes facilitated by Proposal A.
 (3) Does not include the non-current portion of the annual leave accrual

TABLE 10

MIDLAND COUNTY
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT
TO TOTAL GENERAL EXPENDITURES
LAST TEN YEARS (UNAUDITED)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures*	Ratio of Debt Service to General Expenditures Percent
1995	\$ 401,623	\$ 388,107	\$ 789,730	\$ 25,711,028	3.072%
1996	421,263	363,329	784,592	27,974,253	2.805%
1997	405,000	292,632	697,632	31,324,528	2.227%
1998	599,515	631,997	1,231,512	33,367,691	3.691%
1999	804,515	649,731	1,454,246	33,965,590	4.282%
2000	1,014,515	1,048,605	2,063,120	36,444,025	5.661%
2001	1,117,768	1,012,242	2,130,010	34,730,404	6.133%
2002	1,173,037	951,792	2,124,829	36,649,285	5.798%
2003	1,155,000	901,930	2,056,930	42,073,772	4.889%
2004	1,340,923	942,235	2,283,158	42,995,357	5.310%

* Includes General Fund, Special Revenue Fund, Debt Service, Capital Project, and Permanent Fund Expenditures

MIDLAND COUNTY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2004 (Unaudited)

TABLE 11

Jurisdiction	Net Bonded Debt Outstanding	Percentage Applicable to Midland County	Amount Applicable to Midland County
COUNTY OF MIDLAND	<u>\$19,945,000</u>	100.00%	<u>\$19,945,000</u>
CITY OF MIDLAND	26,875,250	99.81%	26,824,187
TOWNSHIPS:			
Edenville	210,000	100.00%	210,000
Homer	9,115,000	100.00%	9,115,000
Hope	210,000	100.00%	210,000
Jerome	960,000	100.00%	960,000
Larkin	4,155,000	100.00%	4,155,000
Lincoln	105,000	100.00%	105,000
Midland	3,394,435	100.00%	3,394,435
SCHOOL DISTRICTS:			
Breckenridge	4,675,000	36.47%	1,704,973
Bullock Creek	16,633,358	100.00%	16,633,358
Coleman	4,625,000	87.73%	4,057,513
Freeland	13,655,000	0.07%	9,559
Hemlock	17,247,000	4.08%	703,678
Meridian	7,730,000	100.00%	7,730,000
Merrill	13,868,022	23.18%	3,214,607
Shepherd	4,540,000	5.06%	229,724
St. Louis	17,694,308	17.10%	3,025,727
INTERMEDIATE SCHOOL DIST.			
Gratiot-Isabella	560,000	4.27%	23,912
Saginaw	<u>4,000,000</u>	0.81%	<u>32,400</u>
TOTAL OVERLAPPING DEBT	<u>150,252,373</u>		<u>82,339,073</u>
TOTAL OVERLAPPING AND DIRECT DEBT	<u><u>\$170,197,373</u></u>		<u><u>\$102,284,073</u></u>

Midland County TV at December 31, 2004 \$3,423,391,557
2004 Population (U.S. Census Bureau Estimates Program) 84,615

	Percentage of Debt to State Taxable Value	Per Capita Debt
DIRECT DEBT	0.58%	\$235.71
DIRECT AND OVERLAPPING DEBT APPLICABLE TO MIDLAND COUNTY	2.99%	\$1,208.82

TABLE 12

**MIDLAND COUNTY
DEMOGRAPHIC STATISTICS
(Unaudited)**

POPULATION COUNT:

1960	51,450
1970	63,769
1980	73,578
1990	75,651
2000	82,874
2001	83,620
2002	83,815
2003	84,492
2004	84,615

Source: Bureau of the Census 2004 Population Estimates Program

AGE DISTRIBUTION:

Age	1990 Count	2000			
		2000 Count	Percentage Increase	% Male*	% Female*
0-5	5,697	5,348	-6.13%	6.80%	6.40%
5-9	5,911	6,446	9.05%	8.10%	7.70%
10-14	5,745	6,657	15.87%	8.70%	7.70%
15-19	5,651	6,287	11.25%	7.60%	6.80%
20-24	5,465	4,704	-13.92%	5.60%	5.20%
25-34	12,697	10,332	-18.63%	12.50%	12.70%
35-44	11,990	13,874	15.71%	17.00%	17.00%
45-54	8,576	11,801	37.60%	14.50%	14.40%
55-59	3,249	4,165	28.19%	5.00%	5.10%
60-64	3,130	3,285	4.95%	3.90%	4.00%
65-74	4,240	5,330	25.71%	6.10%	6.80%
75-84	2,589	3,468	33.95%	3.40%	4.70%
85 & up	711	1,177	65.54%	0.70%	1.40%
	<u>75,651</u>	<u>82,874</u>			

Median Age in 2000 = 36.3

Source: Bureau of the Census, 1990 & 2000.

*Totals slightly under 100% due to rounding.

PER CAPITA INCOME: (Estimated Current Dollars)

1993	\$	22,899
1994		22,962
1995		23,045
1996		23,128
1997		23,211
1998		23,294
1999		23,377
2000		23,383

Source: 2000, US Census, Selected Economic Characteristics, Summary File 3

TABLE 12

**MIDLAND COUNTY
DEMOGRAPHIC STATISTICS--continued
(Unaudited)**

INCOME DISTRIBUTION (2000--BY HOUSEHOLD):

Household	Income	Number of Households
Less than \$10,000		2,189
\$10,000 to \$14,999		1,846
\$15,000 to \$24,999		4,197
\$25,000 to \$34,999		4,121
\$35,000 to \$49,999		4,793
\$50,000 to \$74,999		6,069
\$75,000 to \$99,999		3,643
\$100,000 to \$149,999		3,143
\$150,000 to \$199,999		1,007
Over \$200,000		770
Total Number of Households		<u>31,778</u>
Median Income:		<u>\$45,674</u>

Source: US Census, 2000, Selected Economic Characteristics, Summary File 3

UNEMPLOYMENT: (Midland County)

Year	Percentage
1993	6.60%
1994	5.90%
1995	5.00%
1996	3.90%
1997	3.30%
1998	3.10%
1999	2.90%
2000	2.90%
2001	4.00%
2002	5.10%
2004	6.40%

Source: US Department of Labor, Bureau of Labor Statistics
and the Michigan Department of Treasury

TABLE 13

MIDLAND COUNTY
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN YEARS (Unaudited)

Fiscal Year	Commercial Construction**		Residential Construction**		Bank Deposits*** (000,000's)	True Cash Value Real & Personal (not including I.F.T)		
	Number of Permits	Value	Number of Permits	Value		Industrial	Residential	Agricultural
						Commercial Utility		
1995	NA	NA	NA	NA	533	\$ 2,843,943,413	\$ 2,199,664,505	\$ 111,525,805
1996	NA	NA	NA	NA	561	2,864,367,324	2,305,800,227	115,806,225
1997	NA	NA	NA	NA	602	2,869,939,874	2,434,848,865	122,162,884
1998	NA	NA	NA	NA	606	2,908,197,496	2,641,375,137	132,098,466
1999	48++	NA	163+	NA	585	3,053,432,648	2,819,672,671	142,549,686
2000	31	NA	251	NA	590	3,056,367,772	3,002,282,177	161,477,284
2001	35*	NA	231*	NA	649	3,163,057,517	3,221,327,911	179,662,350
2002	24*	NA	249*	NA	707	3,724,150,724	3,527,720,950	180,139,482
2003	10	NA	284*	NA	726	3,690,121,472	3,814,874,139	198,370,350
2004	9	NA	266	NA	673	3,698,504,788	3,966,847,322	212,318,757

NA--Information not available

*Information obtained from the township bldg inspectors; does not include information from Jerome Townships

** Bureau of the Census, State/County Permit for Authorized Construction in Permit Issuing Places

*** www.fdic.gov., Summary of Commercial bank deposits as of June 30th.

+Reporting permits for new construction only.

++Reporting permits for new commercial constructions only.

TABLE 14

**MIDLAND COUNTY
MISCELLANEOUS STATISTICAL DATA
(Unaudited)**

Date of Establishment:	1850
Form of Government:	Nine member Board of Commissioners with an Administrator/Controller
Area:	528 square miles
County Seat:	City of Midland
Townships:	(16) sixteen
Cities and Villages:	(3) three
Miles of River:	95 miles (Tittibawassee, Pine, Chippewa, and Salt)
Miles of Roads:	Primary--288.4, Secondary--595.9

Recreation:	Acres	Campsites	Feet of Water Frontage
County Parks	1,223	23	15,720
Township Parks	390	0	0
City Parks	2,181	0	21,000

Police Protection:

Jail Capacity	98 beds
Certified Officers	43
Patrol Units	8 marked and 7 unmarked

Education:

(FTE Count)*

	2003	2004
Number of Students--		
Kindergarten- Grade 5	6,027	5,804
Grades 6-8	3,411	3,335
Grades 9-12	4,424	4,540
Special Education	925	972
Adult Education	71	77
Alternative Education	42	52
	14,900	14,780

* Bullock Creek, Coleman, Meridian, Midland, Alternative Education & Midland County ESA.

**MIDLAND COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
PASS-THROUGH MICHIGAN DEPARTMENT OF PUBLIC HEALTH			
Family Planning - Title 10	93.217	N/A	\$ 73,058
Immunizations	93.268	N/A	234,201
Bioterrorism - EPI	93.283	N/A	197,991
Delivery support	93.778	N/A	11,522
Family Planning	93.994	N/A	114,311
PASS-THROUGH DEPARTMENT OF SOCIAL SERVICES			
Child Support Enforcement - Incentive	93.560	N/A	274,216
Title IV-D Reimbursement - Friend of the Court	93.563	N/A	665,149
Title IV-D Reimbursement - Medical Support (FOC)	93.563	N/A	14,025
Title IV-D Reimbursement - Prosecutor	93.563	N/A	72,416
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,656,889
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
PASS-THROUGH MICHIGAN DEPARTMENT OF STATE POLICE			
Emergency Management Performance Grant to Local Grants	83.552	N/A	29,822
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
PASS-THROUGH MICHIGAN DEPARTMENT OF STATE POLICE			
Emergency Preparedness Grant	97.004	N/A	79,256
<u>U.S. DEPARTMENT OF EDUCATION</u>			
PASS-THROUGH MICHIGAN DEPARTMENT OF EDUCATION			
E.C.I.A. Title I Part A Grants	84.010	N/A	31,240
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
PASS-THROUGH MICHIGAN DEPARTMENT OF TRANSPORTATION			
Capital bus purchase	20.500	2002-0069-Z7	164,594
Small bus program - Section 5311			
2000 / 2001 job access	20.509	N/A	467
2000 / 2001 reconciliation of 5311 OP contract 01-0055	20.509	N/A	1,692
2001 / 2002	20.509	02-0069 / Z1	5,465
2002 / 2003	20.509	02-0069 / Z5	38,235
2002 / 2003	20.509	02-0069 / Z4	4,125
2003 / 2004	20.509	02-0069 / Z9	145,390
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			359,968
<u>U.S. DEPARTMENT OF JUSTICE</u>			
PASS-THROUGH MICHIGAN FAMILY INDEPENDENCE AGENCY			
Juvenile Accountability Block Grant	16.540	JAIBG-03-45001	18,609
PASS-THROUGH MICHIGAN DEPARTMENT OF COMMUNITY HEALTH			
Byrne Formula Grant Program	16.579	ODCP #70909-4-03-B	16,010
Bullet-Proof Vest Partnership Grant	16.607	N/A	2,000
TOTAL U.S. DEPARTMENT OF JUSTICE			36,619

**MIDLAND COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PASS-THROUGH MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

HOME Program	14.239	N/A	185,257
Community Development Block Grant-Hutamaki	14.228	MSC 201048-EDIG	<u>113,519</u>

TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>298,776</u>
--	--	--	----------------

U.S. DEPARTMENT OF AGRICULTURE

PASS THROUGH MICHIGAN DEPARTMENT OF EDUCATION

Food Services program	10.550	N/A	<u>33,035</u>
-----------------------	--------	-----	---------------

TOTAL FEDERAL AWARDS			<u><u>\$ 2,525,605</u></u>
----------------------	--	--	----------------------------

Note:

This schedule of expenditures of federal awards includes the federal grant activity of Midland County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.



**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

April 14, 2005

Board of Commissioners
Midland County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Midland County, Michigan**, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 14, 2005. We did not audit the financial statements of the Economic Development Corporation of the County of Midland, which represents 6.7% of the total assets and 0.3% of the total revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for Economic Development Corporation of the County of Midland, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Economic Development Corporation of the County of Midland were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Midland County, Michigan's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of **Midland County** in a separate letter dated April 14, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Midland County, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, others within the organization, and Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

April 14, 2005

Board of Commissioners
Midland County, Michigan

Compliance

We have audited the compliance of **Midland County, Michigan** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. **Midland County, Michigan's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Midland County, Michigan's** management. Our responsibility is to express an opinion on **Midland County, Michigan's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Midland County, Michigan's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Midland County, Michigan's** compliance with those requirements.

In our opinion, **Midland County, Michigan** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Compliance

The management of *Midland County, Michigan* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Midland County, Michigan's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We did not audit the financial statements of the Economic Development Corporation of the County of Midland, which represents 6.7% of the total assets and 0.3% of the total revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Economic Development Corporation, is based solely on the report of the other auditors.

This report is intended solely for the information and use of the audit committee, others within the organization, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

MIDLAND COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2004

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified on basic financial statements

Internal controls over financial reporting:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified not

considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial
statements noted?

_____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified not

considered to be material weaknesses?

_____ yes X none reported

Type of auditor's report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Circular A-133,
Section 510(a)?

 X yes _____ no

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

93.563

Title IV-D Child Support Enforcement

Dollar threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

MIDLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2004-1 Allocation of Payroll Expenditures

Grantor: U.S. Department of Health and Human Services **CFDA #:** 93.563

Award Name: Title IV-D Child Support Enforcement

Condition: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that when employees work on multiple activities / are charged to both federally funded and non-federally funded cost centers, the distribution of their salaries or wages must be supported by personnel activity reports or a statistical sampling system that has been approved by the cognizant Federal agency.

During the year ended December 31, 2004, the County allocated vacation and holiday payroll charges for Title IV-D Child Support Enforcement Prosecuting Attorney personnel to the program based upon the IV-D Budget Allocation Factor. However, during the payroll period, the actual percentage of time worked on Child Support Enforcement varied from the budget allocation factor. Also, both daily and monthly personal activity reports are prepared for the administrative employee. However, these daily and monthly reports do not reflect the same Title IV-D payroll allocation information.

Also, during the year ended December 31, 2004, the County's Friend of the Court employees' personal activity reports indicated the same specific period of time as spent on both federally and non-federally funded programs. These periods of time were then allocated equally to the federal and non-federal programs. In addition, during the year ended December 31, 2004, the County allocated payroll charges for Title IV-D Child Support Enforcement Friend of the Court personnel to the program based upon gross wages for payroll periods paid during the month multiplied by the federal program percentage for the month. However, the County's payroll periods may include actual days worked in the previous month. While the amount allocated to this program may indeed closely approximate the actual time spent on this grant, the methods used to allocate the payroll charges is not consistent with federal guidelines, and creates the risk that amounts allocated could vary substantially from actual costs incurred.

No costs were questioned in the current year as a result of these findings.

Recommendation: We recommend that the County document and allocate salaries and wages to federally funded programs in accordance with applicable provisions of Office of Management and Budget Circular No. A-87.

MIDLAND COUNTY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2003-1 Allocation of Payroll Expenditures

Grantor: U.S. Department of Health and Human Services **CFDA #:** 93.283

Award Name: Centers for Disease Control & Prevention – Investigations & Technical Assistance

Condition: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that when employees work on multiple activities / are charged to both federally funded and non-federally funded cost centers, the distribution of their salaries or wages must be supported by personnel activity reports or a statistical sampling system that has been approved by the cognizant Federal agency.

During the year ended December 31, 2003, the County allocated payroll charges for Centers for Disease Control & Prevention – Investigations & Technical Assistance personnel to both the federally funded program and to non-federally funded programs, which were not supported by direct timekeeping, personnel activity reports, or other acceptable documentation as required by federal regulations. Instead, the charges were allocated to federal programs based on management estimates. While the amount allocated to this program may indeed closely approximate the actual time spent by County employees on this grant, the methods used to allocate the payroll charges is not consistent with federal guidelines, and creates the risk that amounts allocated could vary substantially from actual costs incurred.

No costs were questioned as a result of this finding.

Recommendation: We recommend that the County document and allocate salaries and wages to federally funded programs in accordance with applicable provisions of Office of Management and Budget Circular No. A-87.

Status: The County has properly implemented corrective action regarding this matter.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

April 14, 2005

To the Board of Commissioners
County of Midland
Midland, Michigan

In planning and performing our audit of the financial statements of the ***County of Midland*** for the year ended December 31, 2004, we considered the County's internal controls to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. (A separate report dated April 14, 2005 contains our report on the County's compliance and internal controls). This letter does not affect our report dated April 14, 2005, on the financial statements of the ***County of Midland***.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various County personnel, and we will be pleased to discuss these comments in further detail at your convenience, or perform any additional studies of these matters, or to assist you in implementing the recommendations.

MIDLAND COUNTY

MANAGEMENT COMMENTS AND RECOMMENDATIONS

DECEMBER 31, 2004

A. PA 105 Fund Liabilities

During the audit, it came to our attention that the PA 105 fund has several liability accounts, which were not reconciled at year-end. These accounts consist of taxes, interest and administration fees collected from property owners that are due to local units for tax years 2000 through 2003. Due to the change in the position of County Treasurer and other employee changes in the department, the current staff had been unable to devote the proper time and attention to reconciling these accounts and disbursing any necessary amounts to the appropriate local units.

Recommendation: We recommend that the proper Treasurer's office staff review the activity of the various liability accounts. We also recommend that the accounts be reconciled to determine the proper disbursement amounts to the appropriate local units. In addition, procedures should be implemented to assure that this situation does not occur in the future.

B. 2003 Tax Repayment Fund Receivables

Audit tests revealed that the 2003 Tax Repayment Fund delinquent taxes receivable were not reconciled at year-end (i.e. the delinquent taxes per the general ledger did not agree to the Treasurer's office tax software reports).

Recommendation: We recommend that the proper Treasurer's office staff review the activity of the receivable account and reconcile the balance per the tax software to the balance per the general ledger. In addition, procedures should be implemented to assure that this situation does not occur in the future.